Austria	Sch25	Indonesia	[illegible]	Philippines	[illegible]				
Bahrain	[illegible]	Iran	[illegible]	Portugal	[illegible]				
Belgium	[illegible]	Israel	[illegible]	Qatar	[illegible]				
Cyprus	[illegible]	Italy	[illegible]	S.Arabia	[illegible]				
Denmark	[illegible]	Jordan	[illegible]	Singapore	[illegible]				
Egypt	[illegible]	Kuwait	Fils.800	Spain	[illegible]				
Finland	FM8.50	Lebanon	[illegible]	Sweden	[illegible]				
France	Fr7.50	Lux	[illegible]	Switz	[illegible]				
Germany	[illegible]	Malaysia	[illegible]	Thailand	[illegible]				
Greece	[illegible]	Morocco	[illegible]	Tunisia	[illegible]				
Hong Kong	HK$12	Neth	[illegible]	Turkey	[illegible]				
Hungary	[illegible]	Nigeria	[illegible]	UAE	[illegible]				
Iceland	[illegible]	Norway	NKr12.00						
India	[illegible]	Oman	OR1						

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday March 21 1990

D 8523A

POLAND

Solidarity wilts in the countryside

Page 3

World News

Peres asked to form a new Israeli government

Labour Party leader Shimon Peres, who has pledged to begin Israeli-Palestinian peace talks, was asked to form the next Israeli government.

President Chaim Herzog gave the 66-year-old politician approval to try to form a government to replace the failed coalition headed by Likud Party leader Yitzhak Shamir, after three days of talks. Page 4

Clashes in Romania

Tanks were used to separate fighting Romanians and ethnic Hungarians in the Transylvanian town of Tirgu Mures. A man was killed and 60 people injured. Later, thousands of Hungarians demonstrated in Budapest against the attacks. French return, Page 2

Li Peng demand

Chinese Premier Li Peng called for a crackdown on political dissent in a hardline speech demonstrating the Communist Party's resolve not to follow eastern Europe and yield power. Page 18

Carter PLO boost

Former US president Jimmy Carter said the PLO had a major role to play in the search for Middle East peace.

Marcos trial begins

Imelda Marcos, widow of the former Philippines' president, went on trial in New York for fraud and conspiracy, while claiming that she should be tried in her own country.

Vietnamese go home

More Vietnamese boat people flew home from Hong Kong voluntarily as signs emerged that significantly fewer may land in the colony this year than in 1989 when over 34,000 arrived.

Business Summary

VENEZUELA announced an agreement with leading commercial bank creditors to reduce its $20.5bn bank debt burden. Page 6

US THRIFTS: Total cost of rescuing the US savings and loan business may be $162bn more than the $50bn approved by Congress last year. Page 6

STATOIL, Norway's state oil company, said it was seeking to expand abroad through foreign partnerships or possible takeovers. Page 21

US trade deficit in January increased by a fifth to $9.25bn because of record oil imports.

MARKS and Spencer, UK store group, announced a £31.50 ($50) a week pay rise for sales staff in a three-year deal. Page 10

LIBYA suspended payments to West German companies and blocked West German imports, apparently in retaliation for information leaks about the Rabta chemical plant.

BANCO di Roma, smallest of the three commercial banks controlled by Italy's IRI state holding group, announced net profits more than doubled last year to L103bn ($82.5m) from L45bn in 1988. Page 21

SOCIETE GENERALE de Belgique, Belgium's biggest industrial and commercial holding company, confirmed it sold its 2.4 per cent stake in Club Mediterranée as well as a 6 per cent participation in the French construction group Bouygues. Page 21

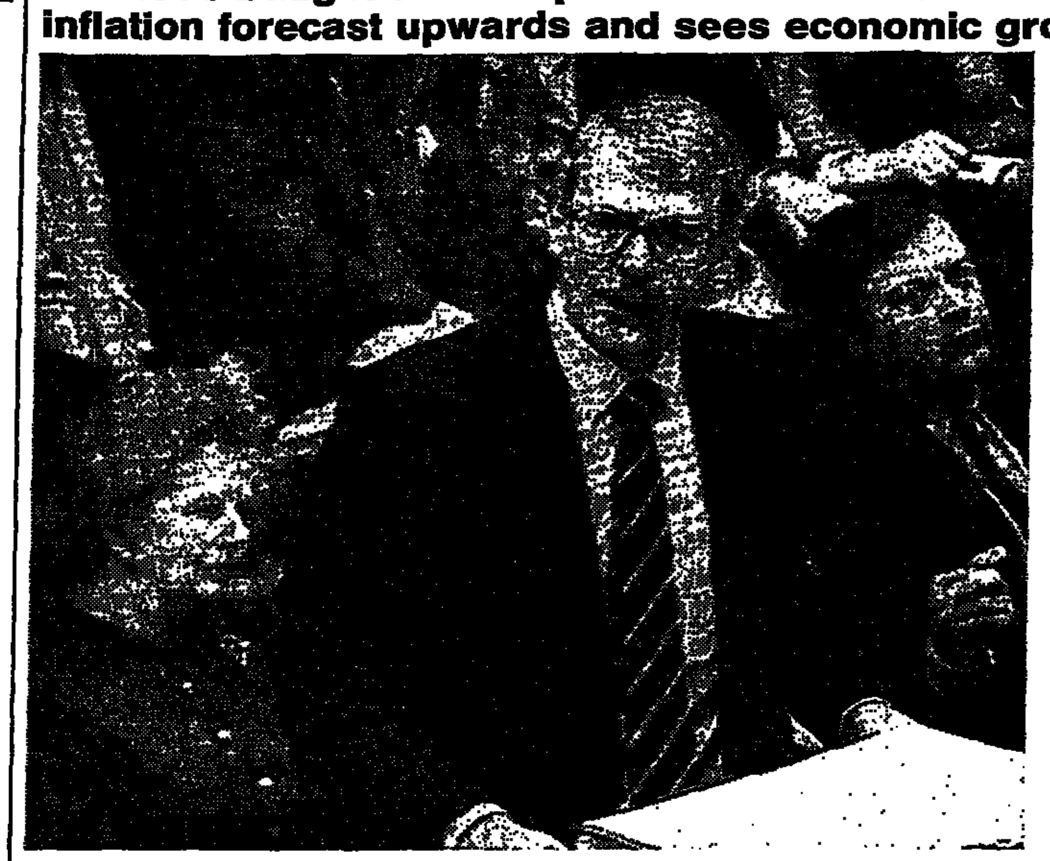
AMSTRAD of the UK is to launch two laptop computers. Page 9

ABB Asea Brown Boveri, Swiss-Swedish power engineering group, increased its 1989 profit before financial items by 65 per cent to $922m.

MALACCA fund, $35m fund launched by Banque Indosuez in January last year, is raising an additional $51.8m with a new shares placement. Page 24

GLOBAL airline industry: Moody's, global credit rating agency, warned that the industry's credit quality was likely to deteriorate during the next three years. Page 24

Cautious budget aims to promote 'culture of thrift' but revises inflation forecast upwards and sees economic growth slowing



- UK introduces range of incentives for private savings
- Conditions for full EMS entry unchanged, commitment to strong pound affirmed, interest rates to stay high
- Inflation forecast to rise, then fall below 5 per cent in 1991, economic growth put at 1 per cent in 1990
- Tax on securities abolished when trading becomes "paperless"
- Spur for banks to cut debts of problem sovereign borrowers
- More reports and analysis on Pages 10, 11, 16, 18, 25, 31, 38

Chancellor of the Exchequer John Major delivers his budget speech flanked by Prime Minister Thatcher and Health Minister Kenneth Clarke

UK seeks to spur savers, maintains economic policy

By Peter Norman, Economics Correspondent, in London

THE BRITISH Government yesterday announced a series of incentives for small savers but, in the first annual budget from Mr John Major, the Chancellor of the Exchequer, left the general thrust of fiscal and monetary policy unchanged.

His speech was delivered to Parliament against a background of deep concern about Britain's economic performance in financial markets and a by-election tomorrow expected to result in a resounding defeat for the Conservative candidate.

It was received badly by economists and most financial markets but gained support from the Conservative members of Parliament as Mr Major outlined his plans.

Mr Major stressed that tackling inflation "was the most urgent problem before us today." But he held back from any major increase in taxation and announced no substantial change in the way that monetary policy was conducted.

The Government's economic forecasts accompanying the budget showed that it expected economic growth this year would be slightly lower and inflation markedly higher than predicted in its Autumn Statement last November.

It was in the details of the budget that Mr Major sprang his surprises.

In a move that will benefit the City of London, he decided to abolish stamp duty on share transactions around the end of 1991, when the Stock Exchange introduces a "paperless" trading and settlement system.

Among several measures to promote what he called a "culture of thrift," he announced:

- the establishment of new tax-exempt special savings accounts (TESSAs) for small savers. From January next year, every adult will be allowed to open one such account and benefit from tax-free interest earnings on deposits of up to £9,000 ($14,580) over five years;
- the abolition from April 1991 of composite rate tax. This tax, currently 22 per cent, is paid on bank and building society deposits. Some 14m people are due to pay this tax but Mr Major said they had savings which did not merit taxation;
- the increase by 25 per cent to £6,000 in the maximum amount that an individual can invest each year in a Personal Equity Plan (PEP).

In terms of managing the economy, however, the budget offered little new. Contrary to the hopes of many in financial markets, it offered no clear insight as to when Britain will become a full member of the European Monetary System.

Mr Major repeated that the Britain's commitment to enter the EMS exchange rate mechanism remained firm under the conditions set at the Madrid summit of European Community leaders last summer.

On monetary policy, he relaxed slightly the funding rules that in the past have obliged the Government to buy in gilt-edged stock.

He held closely to the formula of Mr Nigel Lawson, his predecessor, that interest rate decisions would continue to be made on the basis of the growth of monetary aggregates and a range of other evidence, "most notably the exchange rate."

"I favour a strong exchange rate," he said. He warned that "interest rates would stay high for some time to come," adding that "the moment I judge I can safely lower them, I will. But to reduce them prematurely only to increase them again would be extremely damaging."

The Chancellor also announced plans to divert money from the football pool betting duty to football clubs to improve their grounds.

According to the latest government forecast, inflation measured by the retail prices index will fall only slightly this year to an annual rate of 7.25 per cent in the final quarter from 7.5 per cent at the end of 1989.

Last November, the Government forecast inflation at 5.75 per cent by the end of this year. It now expects inflation to fall to 5 per cent by mid-1991.

The economy is set to slow down, close to the point of recession. Domestic demand is forecast to fall by 0.5 per cent this year while gross domestic product will increase by only 1 per cent in 1990 and at an annual 1.5 per cent in the first half of 1991.

Fixed investment, which was previously expected to grow by 1.75 per cent in 1990, is now expected to fall 1.25 per cent this year and at an annual rate of 0.75 per cent in the first half of 1991. Manufacturing output is forecast to be flat this year and grow fractionally next.

The Government's latest forecasts for the current account balance of payments are broadly in line with those of last November. It expects last year's record deficit of nearly £21bn to fall to £15bn this year and £12bn, at an annual rate, in the first half of next year.

The fiscal plans announced yesterday will increase the overall burden of taxation by £430m ($700m) in the 1990-91 financial year, which begins April 6, and by £965m ($1.55bn) in 1991-92.

The Government surplus is forecast to be £7bn ($11.3bn) in the coming financial year, around the same level that is now expected for 1989-90. Last November the Government forecast a £12.5bn ($19.4bn) surplus for the current financial year.

FINANCIAL markets reacted with almost uniform disappointment to the budget, which came under fire for failing to support sterling and tackle inflation. Disappointment in the markets was keenest over the lack of explicit commitment to joining the exchange rate mechanism of the EMS.

Sterling fell a pfennig against the D-Mark and almost a cent against the dollar. Dealers said sterling could fall below DM 2.70 and test $1.60 before the end of the week.

However, shares rose encouraged by the move to abolish stamp duty on securities and the boost given to wider share ownership. The FT-SE 100 share index rose 21.7 to close at 2259.7. But Goverment bond prices fell by up to 1½ points.

Yen slide continues as Tokyo raises key rate

By Stefan Wagstyl in Tokyo

THE BANK OF JAPAN'S decision yesterday to raise the Official Discount Rate for the fourth time in less than a year failed to stem the decline in the yen in currency markets.

The Nikkei average of 225 leading shares also lost more than 450 points to dip below the 31,000 level for the first time since January last year.

The Japanese central bank increased the ODR, the key short-term rate, by 1 percentage point to 5.25 per cent, its highest level since 1985, saying the rise was needed to forestall a resurgence in inflation and restore stability in financial markets.

The yen closed in Tokyo at Y153.65 to the US dollar, a three-year low. The Nikkei index, which lost 1,353.20 points on Monday, shed a further 456.05 points in thin and volatile trading yesterday. It closed at 30,807.19, 20 per cent below its all-time peak last December. However, government bond prices firmed slightly, with the yield on the benchmark instrument falling to 7.195 per cent.

Foreign exchange dealers in Tokyo said the yen would probably fall further, perhaps to Y160. Some stockbrokers forecast further declines in equities, which could take the Nikkei index below 30,000.

The central bank's move came as no surprise to investors who had been expecting an increase in the ODR to stem the fall in the yen, which began the year at Y143.80 against the dollar. The Japanese authorities managed yesterday's announcement carefully - statements of support for the central bank flowed from government ministers and from industrialists.

The Ministry of Finance publicly applauded the move in an effort to repair the damage done to confidence by its recent arguments over monetary policy with the Bank of Japan. Mr Ryutaro Hashimoto, the Finance Minister, said he expected the increase to stabilise financial markets and not to spark a worldwide round of increases. Each country was free to manage monetary policy flexibly, he said.

However, the central bank was criticised in some quarters for not having acted sooner. Mr Takeshi Ishihara, chairman of Nikkeiren, an employers' organisation, said the bank had moved too late after speculation about its intentions had upset the markets. Mr Yasushi Mieno, the governor of the Bank of Japan, acknowledged that there had been criticisms of the delay but said the central bank had to consider the real economy as well as the financial markets.

Central bank officials said the current rates of increase in consumer and wholesale prices were not a cause for concern. But there were worrying signs of inflationary pressure, including rising import prices fuelled by the yen's decline, higher commodity prices, labour shortages, rising land prices and accelerating growth in the money supply. Figures yesterday showed the money supply grew by 11.8 per cent year-on-year in February, 0.3 percentage points more than in January.

Rates rise too little, too late, Page 18; Bonds, Page 25; Currencies, Page 38; Markets, Back Page, Section II

Moscow offers republics freedom under new treaty

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev struggled yesterday to prevent Lithuania's demand for independence creating a domino effect elsewhere as the Baltic republic sought to head off an open Soviet assault on its economic autonomy.

He is proposing a Union Treaty, under which each union republic would enjoy "unrestricted freedom," including the right to declare "special rule" in its territory, according to a Soviet report.

As the authorities moved to step up security at vital central facilities in Lithuania, such as the Ignalina nuclear power station, Mr Eduard Shevardnadze, Foreign Minister, pledged Moscow would not use force to crush Baltic independence movements and denied extra Soviet troops had been sent in.

"We are against the use of force in any region and particularly against using force domestically," he said during a visit to Namibia.

Yesterday, Mr Gorbachev summoned the Communist Party and government leaders of the neighbouring republic of Estonia to warn them against any attempt to follow Lithuania's course to a unilateral declaration of independence.

At a four-hour meeting at the Communist Party central committee building in Moscow, the Soviet leader argued furiously against the Estonian Communist Party deciding to break away from the union party at its congress on Friday.

Radio Moscow's Interfax news service reported that: "Participants were invited to discuss a draft Union Treaty under which each union republic would enjoy unrestricted freedom, including the right to introduce 'special rule' on its territory."

An Estonian proposal to hold political and economic talks on the whole question was accepted, although the word "talks" was changed to "dialogue." However, Mr Gorbachev was also quoted as saying the Lithuanian decision to break political ties with the Soviet Union was "a road to deadlock."

The new Lithuanian leadership insisted it had every intention of maintaining economic ties with the Soviet Union and honouring all its existing contracts.

Mr Vytautas Landsbergis, the music professor who heads the Sajudis independence movement and is now president of the Lithuanian parliament, was responding to a formal Soviet government order to all state enterprises to obey only orders from Moscow.

He said Lithuanian claims to ownership of the industries on its territory was "unquestionable according to international law" but agreed that the whole question should be resolved at the negotiating table.

A flurry of Soviet military manoeuvres in the Baltic republic at the weekend appeared to have subsided as both sides sought to cool a potentially explosive situation.

In spite of Mr Shevardnadze's reassurances, the White House in Washington expressed heightened concern.

Continued on Page 18

Pro-democracy groups score poll triumph, Page 2

East German foreign debt plight exposed

By David Marsh and Leslie Colitt in East Berlin

A SECRET East German document stating that the country's annual foreign debt service swallows up half its exports to non-Communist countries has revealed the full extent of the economic plight facing the new Government.

The report, the contents of which were confirmed yesterday by the caretaker government, underlines starkly the rising economic pressures towards unification with West Germany.

The document lays bare figures which have been regarded for years as state secrets. It says the country last year spent DM5.6bn ($3.3bn) on interest payments and redemptions on its foreign debts, roughly half the total proceeds of exports to non-Communist countries, which totalled DM12.3bn in 1989.

The lengthy memorandum was written last September by five economic experts from the former communist regime. It states bluntly that East Germany is "to a large extent dependent on capitalist credit sources" and says the foreign payments burden placed doubts over "political stability".

The bleak economic picture is probably the most severe challenge facing Mr Lothar de Maizière, the Christian Democrat leader and Prime Minister-designate, who continued yesterday the wearisome efforts to form a coalition after Sunday's elections.

East Germany's liberals agreed to begin negotiations this week to form a Government with the victorious conservatives, which would duplicate the centre-liberal coalition in Bonn. Such a coalition would give the Government a 53 per cent majority in parliament.

The document puts East Germany's annual credit rating operations abroad, carried out with 400 banks, at the "unusually high" sum of DM8bn-DM10bn.

The document predicts that debt service costs this year would rise to DM7bn out of exports to capitalist countries of DM14.1bn. Imports are put at DM12.5bn-DM12.8bn.

In view of the sharp economic deterioration caused by the political dislocation of the past few months, this year's payments position may turn out to be even worse.

The long memorandum was leaked this week to the Berlin newspaper Tageszeitung.

A spokeswoman for Mr Karl Grünheid, who is continuing on a caretaker basis as Economics Minister and chairman of the economic committee, yesterday confirmed the authenticity of the report.

The document suggested that East Germany needs to double exports to non-communist countries to DM24bn by 1995 to keep abreast on its debt service burden – a highly ambitious target.

CONTENTS

Japan: Tokyo's interest rate rise dismissed as too little too late 18

Namibia: Celebrating independence 4

Canada: Soviet passengers jump flights 6

World Trade: Comecon's uncomradely threat to Cuba 9

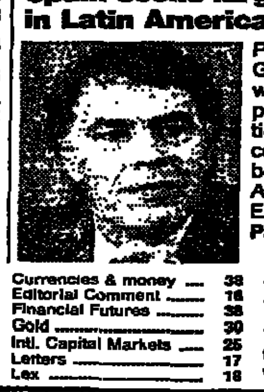
Asea Brown Boveri: Risking corporate indigestion to remain leading player 17

EC: Model proposed for takeovers 19

French railways: Faster than a speeding bullet 29

Europe	2-3	Britain	10-12	Currencies & money	38	Observer	17
Companies	19	Companies	26-28	Editorial Comment	16	Stock Marketsworld	38
America	6,8	Arts Guide + Reviews	15	Financial Futures	38	-London	31
Companies	19	Commercial Law	14	Gold	30	Technology	28
Overseas	4	Commodities	30	Intl. Capital Markets	25	Unit Trusts	34-37
Companies	20-25	Crossword	38	Letters	17	World Index	42
World Trade	9			Lex	18		

Spain seeks larger role in Latin America



Prime Minister Felipe Gonzalez is precisely where he wants to be: playing the international statesman and conciliator, the bridge between a new Latin America and a new Europe.

Page 8

MARKETS

STERLING
New York close
$1.6 (1.614)
London:
$1.611 (1.612)
DM2.7325 (2.715)
FFr9.2275 (9.1725)
SFr2.4425 (2.4325)
Y247.75 (247.5)
£ index 86 (85.9)

GOLD
New York: Comex Apr
$393.3 (401.9)
London:
$398.5 (402.75)

N SEA OIL (Argus)
Brent 15-day
$18.1 (18.225)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.707 (1.68585)
FFr5.766 (5.703)
SFr1.523 (1.50855)
Y154.35 (153.05)
London:
DM1.696 (1.683)
FFr5.7275 (5.68)
SFr1.5155 (1.5085)
Y153.85 (153.5)
$ index 68.5 (68.2)
Tokyo close:Y153.65

US Lunchtime Rates
Fed Funds 8¼
3-mo Treasury Bills:
yield: 8.23
Long Bond:
100 3/16
yield: 8.46

STOCK INDICES
FT-SE 100:
2,259.7 (+21.7)
FT Ordinary:
1,777.6 (+17.7)
FT-A All-Share:
1,120.49 (+0.8%)
New York close
DJ Ind. Av.
2,738.74 (-16.89)
S&P Comp
343.51 (-0.02)
Tokyo: Nikkei
30,807.19 (-456.05)

LONDON MONEY
3-month Interbank:
closing 15 3/32 (15 1/16)
Liffe long gilt future:
June 81 11/16 (83 3/32)

EUROPEAN NEWS

Bonn to end some social benefits for immigrants

By David Goodhart in Bonn

THE WEST German Cabinet yesterday took the first step towards abolishing the various benefits offered to East German immigrants as government sources indicated that currency union would be agreed by the end of April.

Mr Wolfgang Shäuble, the Interior Minister, said that the housing and social welfare advantages enjoyed by East German immigrants were not the primary cause of their migration, but after the conclusion of economic union they would be harder to justify.

As a first step he announced that the 1950 law which provides emergency accommodation for the immigrants and controls their subsequent distribution around the Länder (states) would be abolished from July 1. That would make it far riskier for immigrants who do not already have accommodation to cross over.

The number of immigrants arriving on Monday was half that of the previous Monday but still stood at 1,539, with the number for 1990 to date at 146,000.

The government move falls short of the demand by the Länder for immediate abolition of the 1950 law and for the sending home of any East German immigrants who cannot support themselves. The Government has also not yet moved to withdraw the DM1,200 (£442) per month integration money which immigrants are entitled to for one year after arriving, although some smaller cash handouts will be scrapped.

It is widely assumed that all social incentives will soon be removed and that unemployment benefit for immigrants will be reduced to the East German level. Currently about one-third of East Germans who have immigrated since 1988 are unemployed.

The French return to Bucharest with a vengeance

Le FNAC, champagne and the Parisian salon are hallmarks of a new Romania, writes Judy Dempsey

Unlike the elevators in the main hotels in Budapest which are full of well-dressed businessmen armed with briefcases full of contracts, the lifts in the Intercontinental Hotel in Bucharest are a sight not to be missed.

From mid-afternoon until into the early hours of the morning, they are jam packed with ladies of the night. Where they obtain their clothes, one dares not ask. But they are obviously inspired by the French who seem to fill the lift for the rest of the day, for the French have returned to Romania with a vengeance.

And it is not just because they are trying to get in ahead of the West Germans who are ubiquitous in almost every other east European country. It is because the French proudly and loudly insist that they have what they term "a special relationship" with Romania.

Who would dare dispute them. Linguistically, Romanians and French share the same Latin roots. Historically, they have also much in common.

It was to Paris that the young sons and daughters of the Romanian aristocracy (or boyar) class flocked in the 19th century. Having been imbued with revolutionary ideals, they returned to Bucharest where they quickly put aside everything they learned, at least from the French political textbooks, and instead indulged in emulating the Parisian tradition of the salon, of which many were conducted in French.

But however much the Romanians aped French form, which was often devoid of content, the relationship did yield some substance especially in architecture. Bucharest, so often called the Paris of the Balkans, was once an elegant city lined with trees and long boulevards until the Ceausescus, in their fanatical disdain for all things European, destroyed many beautiful town houses and churches to make way for the megalomaniacally-inspired Palace of the Republic.

It was the French media rather than the West German media which persisted in reporting about and travelling to Romania at a time when almost all journalists were summarily expelled from the country. And when the gunfire of the Revolution boomed through Bucharest on December 22, the French responded to the signal with a zeal with was unmatched by any other European country.

First to enter the fray was Medecine du Monde, the world-wide Paris-based charity medical organisation. On the night of the 22nd, they were already ensconsed in two rooms on the 18th floor of the Intercontinental. There, despite some misgivings by the western media for their energy in self-publicity, they distributed tons of essential supplies to the hospitals. When a US colleague (thankfully a Francophile) and myself visited them last week, we were welcomed, not I hasten to add with a Romanian Pinot Noir which does serious damage to one's thought processes, but with champagne.

Besides medical aid, the French Government sent no fewer than 12 ministers to Romania since the Revolution. Apart from Mr Gyula Horn, the Hungarian Foreign Minister followed quickly by Mr Eduard Shevardnadze's speedy visit in early January, Mr Roland Dumas, his counterpart was the first west European minister to shake the hand of Mr Petre Roman. Needless to say, interpreters were not required. Mr Roman, like so many other officials and young people, has flawless French after his years of study in France.

Between bilateral visits, a French radio station set up a fully equipped studio, called "Fun Radio" for the students in Bucharest. As a gesture of gratitude, the students relayed some French broadcasts. But not for long. Everything is now in Romanian. TFI, a private television station, hopes soon to set up a private advertising network in Romania. Hachette, one of France's biggest publishing houses, has donated 100,000 books to the National Library which was completely burned out during the Revolution. FNAC, the book chain-store is donating another 150,000 volumes. The French Government is also providing FFr2m ($345,000) for subscriptions in order to build up the archives.

But apart from the books, the medical aid and the visits of goodwill, Romanians are now asking if the special relationship has any real substance - a euphemism for finance.

Following the visit by Mr Roman to Paris earlier this month, Elf and Total, the petro-chemical companies, are intending to do some "fact-finding" work in Romania. Citroen and Renault are a bit more cautious. Their fingers were badly burned in the 1970s after they invested heavily in car plants in the hope that the Romanians would provide, among other things, gear boxes. The parts never materialised.

French diplomats admit that contracts will take time to materialise. The true state of the economy and the continuing difficulties with food supplies has yet to be assessed before any long-term investment commitments can be made, a view echoed by other western diplomats. What it amounts to is a "wait and see" policy particularly since all eyes are now on the elections which are due on May 20.

But the French say they will not let down their confrères in the Balkans and that their presence is more than "le blah-blah." And just to show how sincere they are, they have promised to set up bakeries in Bucharest. But in a country denied even the most basic dairy products, what is a croissant without a cafe-au-lait?

Italian law on regional preference ruled illegal

By Lucy Kellaway in Brussels

AN Italian law which requires all public organisations to buy 30 per cent of their supplies from companies based in the depressed south of the country has been declared illegal by the European Court of Justice.

The decision, which tallies with Commission efforts to break open the Ecu500bn (£370bn) market in public procurement, could have implications for regional preferences currently in place in the UK, Greece and Germany.

The decision came as a surprise as it had been assumed that until the deadline for the single market at the end of 1992, regional preferences could continue. The recently agreed public procurement directives covering public works and supplies contain exemptions to this effect.

The Italian law was challenged by an Italian subsidiary of Du Pont, the US-based chemical company, which objected to the purchasing habits of the Carrara city health authority in the market for X-ray equipment. This market is worth L210bn, of which 85 per cent is controlled by public hospitals.

Following the Italian ruling, the regional preferences in other countries may also be illegal, although a Commission official noted yesterday that other countries' preferences are not so blatant as in Italy, under which any body that did not meet the 30 per cent minimum in one year had to make up the shortfall the next.

Soviet pro-democracy groups score polls triumph

By Quentin Peel in Moscow

PRO-DEMOCRACY campaigners have won big election victories in at least three large Soviet cities – Moscow, Leningrad and Kiev – at the expense of the ruling Communist bureaucracy, according to the latest results from weekend local elections.

In the Russian federation, only nine regional secretaries of the Communist Party – the pillars of the Communist Party establishment - were elected, according to the Central Electoral Commission.

In addition, only 16 chairmen of regional executive committees won their seats.

In Vladivostok region, not a single worker or peasant was elected, according a report in the newspaper, Sovietskaya Rossiya.

However, party officials have managed to hang on to control of many outlying regional soviets, and may still end up with a majority in the Russian parliament.

On the other hand there were signs of apathy or outright boycotting of the poll, with 25 per cent of the seats in Belorussia unfilled because fewer than 50 per cent of the voters turned out, and 35 of the Moscow city council seats needing new elections.

In Moscow, candidates backed by the Democratic Russia group won 281 seats out of 498 seats on the city council, and 55 of the 65 seats in the Russian Supreme Soviet, overwhelming those who clearly belonged to the Communist Party apparatus.

Among the victors in elections for the Supreme Soviet were at least five staff members of the radical newspaper, Argumenti i Fakti, including the editor and deputy editor, publicly identified as rebels after being attacked by Mr Mikhail Gorbachev himself.

Out of 463 deputies so far elected to the Moscow city soviet, not many more than half, 270, belong to the party. Only 12 are "workers", and 44 are women.

Institute lecturers, writers and scientists polled well, as did particular groups like anti-corruption prosecutors from the Interior Ministry.

In Leningrad, where the democratic candidates inside and outside the Communist Party united in a group called Democratic Elections 90, the alliance was said to have won between 60 and 70 per cent of the seats on the city council, and 70 per cent of the seats in the Russian parliament.

In Kiev, candidates backed by the nationalist Rukh movement won more than half the seats in the city council, and 15 of the 22 in the Ukraine Supreme Soviet.

However, Mr Vladimir Ivashko, the leader of the Ukraine Communist Party, managed to win his run-off election in the city.

In Sverdlovsk, the Urals industrial centre where Mr Boris Yeltsin won a resounding victory in the first round, reports said a majority of democratic candidates to the city council won their seats but failed to make any inroads in the regional and district councils.

Another contrast to the city results came from the autonomous republic of Bashkiria, beside the Ural mountains, showing that the party bureaucracy is still dominant in the provinces.

Out of 267 seats filled on the republican soviet, 53 were party first secretaries, five second secretaries, 27 chairmen, four deputy chairmen, four department heads of regional executive committees, two department heads of regional party committees, 101 directors of state enterprises, three chairmen of trade union committees, two chairmen of village councils, three Communist Youth League secretaries, one institute rector and one secondary school director - all members of the notorious nomenklatura appointed by the party bureaucracy.

Belgium to curb foreign takeovers

By Tim Dickson in Brussels

A NEW law which will allow the Belgian Government to block foreign acquisitions in areas of "key economic interest" – notably the energy sector – is expected to be in place later this year.

Takeovers involving corporate assets of more than BFr3bn (£53m), or of equity worth BFr3bn where this represents more than 20 per cent of the target company's voting rights, would automatically be subject to official scrutiny.

"There is no political problem," a spokesman said. "The next stage is that a working group of the various ministerial departments affected will work out the details."

Unkind commentators might observe that the government initiative is akin to slamming the stable door after the horse has bolted. The horse in this case is Société Générale de Belgique, Belgium's giant industrial and commercial holding company which, after the battle in 1988 between the Italian businessman Mr Carlo De Benedetti and the Paris based investment bank Compagnie Financière de Suez, finally ended up in French hands.

That struggle touched a raw Belgian nerve about foreign ownership. As "good Europeans" committed to the single market, local politicians and businessmen are proud to point out that there are virtually no official takeover barriers in Belgium – something which French and Dutch predators in particular have not been slow to appreciate.

At the same time, though, not everything is up for sale. The managements of major stock market companies like Solvay, UCB and GB-Inno-BM (now GIB) were quick to build in their own "poison pills" with which unfriendly bidders could be repelled.

Belgium's big energy utilities (Ibes, Intercom and Unerg) are the key "strategic assets" which the Government seems to have in mind with the new law. These are controlled by the holding company Tractebel, which in turn is the subject of a delicate power-sharing arrangement between SGB and the other leading holding company, Groupe Bruxelles Lambert (which still has an important "blocking minority").

While there is a reference in the draft law to the need for "stability in the national currency", an Economics Ministry spokesman said yesterday that banking was not being singled out as a "strategically important sector."

He said that as the draft stands a takeover could be blocked for five years in the case of an EC predator, adding that the "criteria for controlling" non-EC companies would be wider.

France's trade deficit increases

FRANCE'S foreign trade deficit totalled FFr961m (£105m) in February after seasonal adjustments, compared with FFr411m in January, the customs department announced yesterday, writes George Graham in Paris.

Exports fell to FFr97.9bn, but imports also fell to FFr98.8bn, leaving the deficit substantially lower than economists had been expecting.

The French deficit in industrial goods was slightly higher than in January at FFr2.2bn, But the sale of 13 Airbus aircraft kept it well below the average deficit of recent months. France's deficit in trade with West Germany shrank to FFr3.5bn compared with FFr5bn in January.

Single EC currency could bring £15bn a year savings

By David Buchan in Brussels

EUROPEANS would save Ecu15-20bn (£11.2bn-£14.9bn) a year in currency transaction costs if the European Community had a single money, Mr Henning Christophersen, the Commissioner for Monetary Affairs, said yesterday.

Outlining the Commission paper on economic and monetary union (Emu) shortly to be discussed by EC finance ministers, Mr Christophersen confirmed its two main divergences from the original Delors committee report.

It opts for a single currency, the Ecu, rather than simply national currencies locked together, and abandons the Delors report's call for binding ceilings on countries' budget deficits. Mr Jacques Delors, the Commission president, is said to be quite happy now to drop these two provisions, imposed on him by certain central bankers on his committee.

However, the Commission paper leaves open the same key question as the Delors report as to whether poorer, peripheral countries will need extra aid once they no longer have, in Emu, the option of changing their exchange rate to stay competitive.

Ireland, currently holding the EC presidency, feels such aid must be forthcoming, but Mr Christophersen said yesterday no decision need be taken until the end-1991 review of existing structural aid.

The Commissioner said the British plan for competing currencies was unsatisfactory, because it would lead either to exchange rate instability or to the dominance of one currency over the others.

● The Italian Government, which takes over the EC presidency on July 1, will urge its EC partners to launch at the end of the year a second intergovernmental conference dedicated to reforming the Community's institutions, writes John Wyles in Rome.

Mr Gianni De Michelis, Italy's Foreign Minister, told the lower house of parliament yesterday that this second conference should run in parallel with one already scheduled to begin in December on laying down the path to economic and monetary union.

The need for further revision of the Community's treaties has already been raised by Mr Delors. Mr De Michelis put most emphasis on the need to transfer further powers to the European Parliament so as to strengthen its control and surveillance of the Commission.

● The French Government yesterday again called for an acceleration in the process leading to Emu because of impending German unification, adds Ian Davidson in Paris.

Mr Roland Dumas, the French Foreign Minister, urged that the date of the next conference on Emu, due in December after the West German elections, be brought forward.

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EUROPEAN NEWS

Hungary appeals to UN and Romania over attacks

By Judy Dempsey in Budapest

HUNGARY YESTERDAY called on the United Nations and Romania to stop repeated outbreaks of violence against the ethnic Hungarian minority in Transylvania.

The 2m-strong minority in the north-western Romanian region has been subject to attacks by the Vatra Romaneasca, a fascistic group which is believed to group nationalists, former Securitate secret police officials and former Communist Party members.

Mr Miklos Nemeth, the Hungarian Prime Minister, yesterday informed the UN Secretary General and the UN Commission on Human Rights about the violence in which one ethnic Hungarian has been killed.

The Hungarian Foreign Minister, Mr Gyula Horn, also said he had called in the Romanian ambassador to complain about "pogrom-like" events and had given him a message from Mr Nemeth for Mr Petre Roman, the Romanian Prime Minister, demanding an immediate halt to the violence.

"If they do not move immediately and effectively then a very grave situation could arise," Mr Horn told Hungarian Radio.

In the latest outbreak, in the Romanian town of Tirgu Mures on Monday, the Hungarian media said at least 11 Hungarians had been injured by axe-wielding assailants.

The injured included Mr Andras Suto, one of the Hungarian minority's leading poets.

The Vatra Romaneasca, which has more than 100,000 members and is well organised in the main towns and cities of Transylvania, last week beat up several Hungarians in the town of Satu Mare, a town in the north of the country.

Vatra Romaneasca alleges that the Hungarian minority want to separate Transylvania from the rest of Romania.

However, both Hungarian and Romanian intellectuals repeatedly say that all they want is respect for equal cultural, democratic and ethnic rights for both communities.

So far, the Romanian Government has issued only mild statements criticising the Vatra Romaneasca, which seems intent on creating deep suspicion and stirring ethnic tensions among the two communities as the country prepares for general elections scheduled for May.

Campaign mental health warning

By Judy Dempsey

IT MAY come as a surprise to many observers to learn that the underlying message in Hungary's election posters is not one of optimism and enthusiasm as the country prepares for its first free and democratic elections for more than 40 years on Sunday.

On the contrary, posters which are plastered throughout the capital reveal all the symptoms of aggression, fear and pessimism.

This gloomy analysis is held by Dr Andras Veer, a psychiatrist in one Budapest's largest mental institutions. He first thought about the common theme running through the posters after he saw one which simply showed a soldier's head, but from behind. The poster's slogan, issued by the conservative Hungarian Democratic Forum (HDF) stated: "Comrades, it's the end!"

This could have simply referred to the recent withdrawal of some Soviet troops from Hungary. But Dr Veer, a compulsive smoker – a habit shared by many of his compatriots – said the slogan had a deeper and more disturbing meaning to it.

"By saying that its The End, this could mean that the soldier is being shot in the back of the head. My friends agree with me. It is very aggressive. It engenders fear among the population which has had to live in fear for the past 40 years."

Dr Veer is just as critical of the posters from the Alliance of Free Democrats (AFD), the left-of-centre party whose roots are in Budapest. One of their posters reads: "They who are not with us are with Them!"

Few Hungarians forget the slogan of Mr Matyas Rakosi, Hungary's ruthless Stalinist, which warned the Hungarians: "Those who are not with us are against us." Or later, Mr Janos Kadar's slogan: "Those who are not against us are with us."

The problem, says Dr Veer, is that people are confused about these posters and they are afraid.

"It is not defined in the HDF poster who the Comrade is, or indeed who is Them in the AFD poster. If people do not vote for the Free Democrats, does that mean they are with Them - the former communists and that they may then expect some revenge," he adds.

Dr Veer, who shares a rather depressed view of the world with his fellow Hungarians, adds: "I think it is very dangerous that after living in fear for so long, we are preparing for freedom in this atmosphere."

EASTERN EUROPE ELECTS

Hungary

IKEA, the Swedish home furnishings chain, will today open a store in Budapest which will be its first outlet in eastern Europe, writes John Burton in Stockholm. The venture is in co-operation with the country's main furniture retailer, Butorker.

Ikea, which operates in 20 countries, plans to establish a store in Warsaw next year and one in Leningrad in 1992, the first of six proposed Soviet branches. Ikea now buys a quarter of its furniture components from eastern Europe.

Switzerland passes law to curb money laundering

By William Dullforce in Geneva

SWITZERLAND, often cited as a turntable for illicit capital flows, has become one of the first countries to legislate against money laundering. The upper chamber of the federal parliament on Monday unanimously approved amendments to the penal code, already passed by the lower house, which make assistance to money launderers a penal offence.

Anyone who knowingly hinders the identification or confiscation of assets resulting from a crime will face imprisonment of up to five years and a fine of up to SFr1m (£410,000).

The new law, which should come into effect in July, aims not only at "dirty money" derived from the international drugs traffic; it covers funds derived from any criminal offence, including illicit arms dealing and securities fraud. However, it does not change the Swiss position on tax evasion, which is not considered to be a criminal offence. And it leaves intact the core of Swiss bank secrecy, embodied in a law which makes it illegal for a bank or company employee to pass on information about clients to a third party.

The Swiss legislators balked at turning "negligence" by bank employees into an offence, but decided to penalise lack of vigilance in handling criminal funds.

A person who omits to verify the beneficial owner of assets which he accepts or transfers can be sent to jail for up to a year and fined, if the assets turn out to be the proceeds of a crime. This prescription covers lawyers and other professional staff dealing with clients' funds, as well as bankers.

Concern that Switzerland's prestige as an international financial centre had been damaged by the "Kopp Affair", in which Mrs Elisabeth Kopp, Justice Minister, was forced to resign after informing her husband about a drugs money investigation, induced the Government and parliament to move more swiftly than usual in enacting the money laundering bill.

Mrs Kopp was later acquitted of violating official secrecy laws but a parliamentary inquiry into the incident decided that the public prosecutor's office had been lax in dealing with narcotic cases. Public opinion has also been disturbed by the investigation into the "Lebanon connection" which revealed that SFr2bn of foreign currency had been channelled through Swiss banks, of which at least part stemmed from the drugs trade.

Solidarity wilts in the Polish countryside

Protest rumblings are heard in hard-hit rural economy, writes Christopher Bobinski

FEW TRACES remain in the Polish countryside of the euphoria which helped sweep Solidarity into parliament last year.

Indeed, the Government faces the prospect of widespread refusal by farmers to make insurance payments as part of a protest reminiscent of the final months of the communist regime.

Calls for a boycott have come from several districts and are likely to be taken up widely by the country's 2.5m private farmers appalled at sharp rises in the cost of credit and agricultural equipment which the growth in food prices has failed to match.

In the towns real wages have tumbled and domestic consumption of some items such as butter has fallen by as much as a third while queues for meat have evaporated in a further sign that supply is swamping demand.

However, many peasant farmers are treating the Government's deflationary policies as just another of the misfortunes which have befallen them over the years and the mood will not translate into any surge of support for the old regime.

Nevertheless local government elections in May should see a low turnout despite Solidarity's appeals for people to get involved. Here and there a strong protest vote is likely for one or other of Poland's fissile rural parties including PSL-O, the successor to the ZSL, once a Communist Party satellite.

"If only the Government would do something to ease the situation," sighs one Solidarity supporter in Gorzkow, a small farming town in east Poland, "I'm wholeheartedly behind the changes but I must admit I'm running out of arguments when I talk to other farmers."

And in Chorupnik nearby, Mr Marian Olek, the elected head of the village, confirms that "at the moment we are having difficulties" and adds philosophically: "It has been up and down since the war, and now things are bad but we try to live with the hope that one day we'll see good times."

Indeed Rural Solidarity, the sister movement to Lech Walesa's trade union, is on the brink of an open break with the Government. It is demanding preferential interest rates for farmers, guaranteed minimum farm incomes as well as government aid for industry producing farm equipment.

At the moment, for example, the FMZ factory at Plock, which produces combine harvesters, has had to halt production for two weeks, as fertiliser plants did in February, because of a fall in demand.

Rural Solidarity also wants a speedy de-monopolisation of the organisations still responsible for procurement of agricultural products which also provide services to farmers.

However, despite some purchasing by the state of meat to maintain prices, Rural Solidarity's appeals for more state intervention are falling on deaf ears.

Farmers used to once incessant official encouragement to sell as much produce as they could to the state are having problems selling livestock. In several dozen incidents around the country refusals to buy at procurement points have ended with farmers blocking main roads for hours on end until their produce was purchased.

At Biskupice where one such protest took place recently, a smallholder near to retirement and who has a job in the town of Lublin nearby has no regrets about abandoning his 2 hectares.

"Farming doesn't pay," he says simply. He cannot understand what the Government is trying to achieve. He says with a shrug: "Maybe they want to sell us off."

Mr Czeslaw Janicki, the Farming Minister, who is also arguing for more intervention, has warned his cabinet colleagues that pork and beef supply could drop by 30 and 20 per cent respectively this year.

For the moment farmers have got the Government to lift food export ceilings and for the first time since the 1960s Poland is exporting more than 20,000 tonnes of butter with producers ready to supply 10 times that amount.

But later this year food prices could rise and imports begin. Private butchers in Poznan have already started talks with meat suppliers in both East and West Germany to ensure deliveries.

The free market liberals in the Government are hoping that the squeeze on farmers will speed up the elimination of smallholders and encourage the growth of larger units which in the longer term is essential if costs are to be brought down.

Indeed some, such as Mr Michal Wojtczak, Mr Janicki's deputy at the Farming Ministry, are predicting an upturn in the countryside as early as next month once inflation and interest rates have been brought down to a monthly single figure.

Goal for football clubs is survival

THE FOOTBALL fan, his arms punching the air in time to the chants on the terrace, is 18 years old, never misses a match and cannot believe that his club Gornik Zabrze could ever disappear, writes Christopher Bobinski in Warsaw.

In fact the club, once the pride of Polish football, is facing financial crisis. Like most of the 15 other clubs in the first division its management is desperately seeking money to carry on beyond the end of the season in June. And it is having to turn commercial to survive.

Until now, league players have generally been on the payrolls of state enterprises, like the coal mines or the military and police. These days the league is suffering in the austere climate as the Government battles inflation and factories cut wage bills. Many players have received three months' notice. When that expires, club chairmen like Mr Zygfryd Wawrzynek at Zabrze, in Poland's coal mining district of Silesia, think the Government should provide a subsidy for two years to give the clubs time to switch to fully professional status.

His first team costs Zloty 60m (£4,063) a month to maintain and for the moment he has the equivalent of £45,600 from transfers and matches abroad to make ends meet. His club has a travel business and plans to open shops and expand advertising to raise funds.

Legia, Warsaw's top club, which is run by the army, saw the writing on the wall a year ago. Pressed by cuts in the defence budget, it began preparing for professional status. Now Legia is the owner of a construction company and is talking to Nord-France, a French building company, about a hotel project on its ground.

The harsh wind of economic reform has caught Polish football at a bad time. There have been no recent successes for the international team and league attendances, hovering at around 8,000 a week at an average first division game, are down on previous years, leaving clubs with enough gate money to cover only a fraction of costs.

Factory workers support savings on wages for soccer players, who have long been seen as an expensive luxury.

Cost to Paris of African franc zone fuels devaluation debate

Mike Huband writes that the flourishing black market, slowing growth and high living costs have led to calls for change

Juliet takes the aircraft from Lagos with her bags crammed full of new shoes. Pedro plies his way along the Atlantic coast from Accra in a crumbling motor boat weighed down by drums of oil.

Both have learned that their best market is in the franc zone of West Africa. Currency devaluations in Ghana and Nigeria, and the reduction in prices this has led to, have created a flourishing regional market in unofficial goods.

It has allowed black marketeers from those countries to undercut producers in the 14 west and central African states which comprise the Communauté Financière Africain (CFA) franc zone, where the World Bank estimates that the currency is overvalued by 30 per cent.

"I've been crossing from Nigeria since I was nine years old," says Juliet. "I buy the shoes in Lagos. There they are cheap. In Abidjan shoes cost *twice as much, so I can make a* lot of money. The customs officials, they know me now, so there's no problem."

Pedro usually arrives in Abidjan from Ghana after dark. "It's easier to get across the water near the city at night. I do the trip twice a month. That gives me enough to live on," he says, refusing to say how much he earns from one barrel of oil.

The CFA franc has remained at a fixed parity of 50 to one French franc since 1948. "The CFA has brought stability and low inflation. Convertibility means that trade with the rest of the world is easier and companies can remit dividends, which is an incentive to investment. Devaluation would shake confidence and result in the flight of capital," one Abidjan banker said.

But the slowing of growth since 1980, the drop in world commodity export prices, and the balance of payments deficits it has created, have intensified the debate over whether a currency devaluation would improve the economic situation in the CFA zone.

According to a Bank of England report published in 1989, the cost of living in all but one of the CFA capitals is higher than that of Paris, and double that of Lagos and Accra. Devaluation could reduce the cost of living as the reduction in domestic costs and the cut in incomes resulting from it would improve the competitiveness of exports and go some way to relieving balance of payments deficits in the CFA zone, which combined total $3.3bn.

Equally, the slump in commodity prices and the rise in domestic prices which has been experienced since 1985 throughout the CFA zone has seriously diminished reserves of capital, particularly in the middle income countries.

Structural adjustment programmes drawn-up by many countries in the CFA zone with the World Bank and the International Monetary Fund are aimed at both diversifying economies and improving the competitiveness of exports by reducing domestic costs, which would in turn lead to a reduction in imports.

Critics of devaluation argue that imports are already being cut due to the drop in income resulting from the producer price cuts and restrictions on credit transfers, but without the destabilising affect a devaluation itself would have.

A street trader in Lagos sells unofficial market goods

"Devaluation would mean companies would suffer enormous losses as all the banks, who have borrowed in French Francs from France and lent locally in CFA francs, would take an enormous exchange loss. In the case of the big banks this loss would far exceed their assets," said a banker in Abidjan.

However, the convertibility of the CFA franc is generally regarded as contributing to the balance of payments deficit as it allows the free flow of capital out of the zone, usually to France.

Although the CFA zone is a convenient and lucrative market for French exporters and investors, the same pressures forcing the debate over devaluation have increased the cost of convertibility to the French treasury.

Dwindling foreign currency reserves in the economies of the CFA zone, caused by the commodity price fall, have led to the two central banks of Central and West Africa (BEAC and BCEAO) amassing a combined $600m overdraft with the French treasury.

France's role in maintaining convertibility is conducted through an operations account, which allows for the automatic exchange of CFA francs for French francs. Sixty five per cent of the two African banks' reserves must be kept in French francs at the Bank of France, which provides preferential borrowing for CFA countries.

The cost to France of lending has brought the debate over devaluation to the heart of French politics. Mr Olivier Vallee, a former banker who recently published a book on the CFA called "The Cost of CFA Money" claims the French Government would now like to share the burden with other EC countries. As the CFA becomes effectively aligned with the European Currency Unit (Ecu) this would technically be possible. But the effect of a devaluation would vary between countries.

"Due to variations in commodity prices and the scale of *borrowing from France*, the less indebted countries would see inflation rise if there was a devaluation," says Mr Christopher Lane, an economist with London's Overseas Development Institute.

In the Ivory Coast devaluation would reduce costs and improve *competitivity. But in* the poorer countries such as Mali the benefits would be minimal due to existing low levels of wages.

As commodity prices continue to fall and the economic plight of the region deteriorates, the onus is clearly on *France to weigh the advantages* against the drawbacks. But while French Government commitment to the currency remains solid, pressure is clearly mounting for steps to be taken which will allow the CFA zone to swim more strongly against the economic tide.

Hong Kong anti-graft unit seeks to keep powers

By Angus Foster in Hong Kong

HONG KONG'S anti-graft unit, the Independent Commission Against Corruption (ICAC), is to start lobbying this week to protect its powers as the colony prepares a Bill of Rights.

The ICAC, given wide powers in the early 1970s to help clean up Hong Kong's then tarnished police force, is concerned that some of the measures it believes necessary to fight corruption could contravene the Bill of Rights.

The Bill of Rights, announced by the government last week, is intended to strengthen human rights in the colony. It will take precedence over existing Hong Kong laws following a two year freeze to iron out any contradictions with current legislation.

The ICAC is independent of the civil service and reports directly to the governor. It is empowered to investigate, and arrest without a warrant, anyone alleged to be conspiring to commit an offence under the prevention of bribery ordinance or any crown servants it suspects of corrupt practices.

The ICAC is also allowed, again without a warrant, to search premises and seize and detain anything it believes to be evidence.

But the Bill of Rights contains clauses guaranteeing the presumption of innocence and protection of privacy which, in some circumstances, could clash with the ICAC Ordinance. Other ICAC powers which may come under review include methods available to obtain information on financial transactions.

Commissioner David Jeaffreson is expected to make a speech discussing the ICAC's position under the Bill of Rights tomorrow. According to unconfirmed reports, the ICAC is also preparing a report justifying its powers *and which it* hopes to present to Hong Kong's legislative council on the same day.

India's jute king held on currency charges

By Gita Piramal in Bombay

MR Arun Bajoria, a prominent jute manufacturer, has been arrested in Calcutta on charges of contravening India's Foreign Exchange Regulation Act.

During raids of Mr Bajoria's home and offices incriminating documents were reportedly seized. Mr Bajoria has since confessed that he had remitted funds to a Swiss bank in violation of India's foreign exchange regulations and has offered to bring them back to his Indian accounts.

Mr Bajoria, who was arrested on Sunday, was granted bail yesterday.

In the last two years he has emerged as one of the main jute mills owners, acquiring the assets of no fewer than five loss-making mills. Along with his family-owned Hoogly Mills company, this freshly cobbled group today controls roughly 15 per cent of the Indian jute industry's total production.

All five of the mills taken over by Mr Bajoria were acquired from members of Calcutta's jute aristocracy. Families such as the Birlas, the Goenkas and the Bangurs sold their concerns to Mr Bajoria because of worries about a combination of a militant and unproductive labour force, low profits, and competition from synthetic yarns.

With a background rooted in jute – his family have been trading in jute products for several decades – Mr Bajoria believed that if costs were carefully controlled, jute could *once again become* the "golden fibre" and as the mills downed their shutters, he went on a buying spree, buying them at fire-site prices.

In recent months Mr Bajoria had started a reorganisation but his arrest is expected to set back the process.

CFC days are numbered

NEC, the leading Japanese electricals group, has brought forward the date by which it will eliminate use of chlorofluorocarbon 113 (CFC-113) in its factories around the world from the year 2000 to 1995, Ian Rodger writes from Tokyo.

The decision comes in the wake of recent moves within the United Nations Environmental Programme (UNEP) to toughen the measures on CFCs agreed in the 1987 Montreal protocol on the elimination of substances that deplete the ozone layer.

The Montreal protocol stipulated the reduction of some CFCs by 50 per cent by 1998 from the 1986 level, but a UNEP working group meeting in Geneva last week agreed that the protocol should be revised to call for a cessation of use of all CFCs by 2000.

Moscow holds ANC aid level

Soviet aid to the African National Congress (ANC) will continue at present levels, ANC leaders said after talks in Zambia yesterday with Mr Eduard Shevardnadze, the Soviet Foreign Minister, writes Mike Hall in Lusaka. "Mr Shevardnadze assured us of continued support for the struggle of our people, especially at this decisive moment," Mr Alfred Nzo, ANC secretary-general, said.

The Soviet Foreign Minister, who was on his way to Namibia's independence celebrations, said the meeting was between "old friends". He also supported the move towards negotiations with Pretoria, a senior ANC official said.

Taipei students copy Tiananmen protests

By John Elliott in Taipei

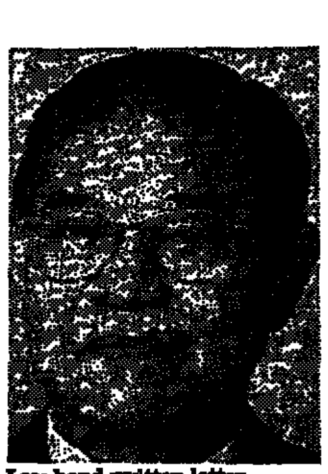
A TWO-DAY Tiananmen Square style sit-in continued to grow in Taipei's most historic square last night as more than 3,000 Taiwanese students called on the government of President Lee Teng-hui to speed democratic reforms. Nearly 50 students are staging hunger strikes.

This could pose serious problems for President Lee, a 67-year-old Taiwanese-born economist, who will be returned for a six-year term of office at a meeting of the National Assembly today. He became president two years ago, without an election, on the death of President Ching-kuo, son of Generalissimo Chiang Kai-shek who founded the modern Taiwan in 1949.

The president has partially defused the country's growing political crisis by announcing a national constitutional conference, which will probably be held in May, to map out a programme for reforms.

These moves have persuaded the main opposition grouping, the Democratic Progressive Party, to announce that it will not stage large demonstrations to disrupt today's election. But the offers have failed to impress the students, despite the delivery to them of a letter hand-written by the president asking them to leave the square.

The students want President Lee to visit the square and speak to them himself. This has been considered by the president but he is being advised against going by security officials. The students are



Lee: hand-written letter

specifically demanding the abolition of the National Assembly and introduction of direct presidential elections. These are far beyond anything that is being considered by the Government at present.

At the heart of the crisis lies the future of more than 800 elderly members of the National Assembly and Legislative Yuan who are mostly in their 70s and 80s. They have been resisting government attempts to persuade them to retire and hand over to democratically elected people.

The students want to see a completely new political era. They have modelled their demonstration on last year's Tiananmen Square student demonstrations in Peking. They have donned yellow headbands and are building a five-metre high model of a Taiwan wild lily as their emblem of democracy.

PLEDGE TO OPEN PALESTINIAN PEACE TALKS

Peres asked to form government

By Hugh Carnegy in Jerusalem

PRESIDENT Chaim Herzog of Israel last night offered Mr Shimon Peres, the Labour Party leader, the chance to form a government to succeed the administration of Mr Yitzhak Shamir, felled by a parliamentary vote of no confidence last Thursday.

Mr Peres, vice-premier in the coalition with Mr Shamir's Likud Party until it collapsed a week ago, now has three weeks in which to cement an alliance capable of commanding a parliamentary majority out of an unlikely mixture of minority religious, left-wing and Arab parties.

If he succeeds in doing so – which is far from assured – Mr Peres has pledged to forge ahead with US-backed proposals for Israeli-Palestinian peace talks aimed at achieving a settlement in the Israeli occupied West Bank and Gaza Strip.

Mr Shamir's refusal to accept Washington's terms without attaching strict conditions to rule out any involvement by the Palestine Liberation Organisation or Arabs living in Jerusalem precipitated the break-up of the broad coalition with Labour.

In consultations with President Herzog over the past three days on which party they supported to lead the next government, the 120 members of the Knesset (Parliament) split exactly in half between Labour and Likud.

Mr Herzog chose Mr Peres because he said a majority had expressed no confidence in Mr Shamir's government and the leading representative of that majority should be given a chance to form an alternative government.

He also pointed out that with 39 members, Labour was now the biggest parliamentary party following the split from Likud of five dissidents.

Mr Peres nonetheless faces a difficult task in putting together a Labour-led coalition.

Last night he said he was prepared to enter a new partnership with Likud. But Likud is almost certain to reject his terms and quickly attacked a potential Peres government as being backed by PLO supporters.

That leaves the outcome dependent on two religious parties, Shas and Degel Hatorah. They abstained or supported Mr Shamir in the no confidence vote, but Mr Peres will strive to woo them to his side.

His efforts will be strengthened by already having the support of another religious party, Agudat Israel.

Mr Peres has been prime minister before. During a 25-month period as leader starting in 1984 he ended Israel's costly invasion of Lebanon and tamed triple-digit inflation.

Famine food convoys head for N Ethiopia

By Julian Ozanne in Dessie, Northern Ethiopia

THE FIRST FOOD convoy headed for the famine stricken provinces of Northern Wollo and Tigray left Dessie in northern Ethiopia yesterday marking the start of a relief operation aimed at saving an estimated 1.25m starving people who are trapped behind the lines of a raging civil war.

Two Soviet-made MiG fighter-bombers of the Ethiopian air force flew overhead as church leaders, government officials and high ranking military officers flagged off the 11 trucks loaded with 110 tons of wheat, *milk powder and vegetable oil.*

The convoy will pass the last government-controlled checkpoint and cross into rebel-held territory 35km north of Dessie, between Hayk and Wichale.

The safe passage operation, which is being mounted by a consortium of church groups under the name Joint Relief Partnership (JRP), has received the backing of both the government and the rebel Tigray People's Liberation Front.

If it fails, a major disaster will be unavoidable. The 110 tons of food which left yesterday for Kobo, 200km north of Dessie, will be the first food delivered with government *support into territory held by* the TPLF since an emergency was declared in northern Ethiopia following severe harvest failures last November.

Cross-border operations from Sudan mounted by the Relief Society of Tigray are believed to be trucking in 6,000-8,000 tons of food a month.

The first convoy, which will be capable of feeding about 6,000 people for one month, represents a drop in the ocean of need.

At least 35,000 tons a month will be required for Tigray and Northern Wollo if thousands of deaths are to be averted this year. But if it is successful a *major trucking operation will* be launched to push up along the road from Dessie through Alamata, Korem, Makele and on as far as Adigrat.

"There are bridges down and we have to test the situation to see what the roads are like and how the convoy will be treated at TPLF checkpoints. At the moment we don't really know what we are going to find up there," said Rev Francis Stefanus of the JRP.

The 1.25m people in Tigray and Wollo who are the targets of this latest initiative represent only a quarter of the estimated 4.4m people at risk from famine throughout Ethiopia *but their inaccessibility to* relief assistance makes their situation particularly severe.

Reformers ousted as Seoul decides to go for growth again

By John Ridding in Seoul

SOUTH KOREA'S sweeping cabinet reshuffle, which saw 15 of the 27 ministers lose their jobs at the weekend, marks a shift in the government's economic thinking.

Eight of the 11 economics-related posts changed hands, including the deputy prime ministership, the top cabinet economic position. Mr Cho Soon, a champion of reform, stability and more equitable income distribution, has been replaced by Mr Lee Seung Yoon, an advocate of "growth first" expansionary measures.

The new minister has promised a "comprehensive re-evaluation of all major economic policies" and a new policy package is expected this week.

At the root of the changes lies concern about the performance of the economy. Growth slipped to 6.5 per cent last year, compared with 12 per cent in 1988, and exports, the traditional engine of the economy, rose by a meagre 3 per cent. Mr Cho Soon has been criticised for failing to arrest the slowdown and for a series of reforms which have antagonised the powerful conglomerates or *chaebol* which dominate the economy.

"We may expect quite a dramatic change in the direction of economic policy," says Mr Ho C. Yang, managing director of Dongsuh Securities. "There will be an emphasis on stimulating the economy and improving export performance."

A cut in interest rates is forecast, as is a restoration of incentives and subsidies to export industries and the easing of credit constraints imposed on the *chaebol*.

In practice however, and particularly at the macroeconomic level, Mr Lee may find only limited room for manoeuvre. "The new new team will pursue a more expansionary policy," says Mr Thae Kwarg of Baring Securities, "But they will have to keep one eye on inflation."

Inflation has re-emerged as one of the principal concerns facing the economy. The consumer price index rose by 1 per cent in January, the highest monthly rise since 1981. Rental prices, which escape the index, have increased at a much faster rate. Most analysts now feel that the government will be unable to meet its target for the year of between 5 and 7 per cent.

Constraints also exist in other areas. The US has already expressed concern about the declining value of the won, which has fallen by 2 per cent against the dollar so far this year, limiting the scope for further depreciation. In addition, Korea's exporters face slowing demand in their principal markets. With respect to interest rates, analysts say that inflationary considerations allow only a slight reduction. In addition, most argue the availability of liquidity is not the central problem.

"It is not that there isn't enough money in the system," argues Mr Philip Ham of Schroders, "but that companies are not investing in facilities and R&D."

To this end, the reshuffle represents a move to restore the damaged links between the *chaebol* and the government and an attempt to bolster confidence in the economy. "After a period of penalising the *chaebol*, the government will now try and co-opt them into channeling resources into the type of investment the economy needs," says one analyst.

But the price of re-establishing business-government links is likely to be the shelving of central elements in the government's reform programme. Radical legislation aimed at limiting land holdings and speculation by the large business groups has already been passed, but analysts predict that it is now unlikely to be rigorously enforced.

In addition, plans to force the use of real names in financial transactions which will enable progressive taxation of financial gains and the implementation of a capital gains tax system, are expected to be postponed. Advocates claim that the measures are necessary to ensure a more equitable distribution of wealth, but critics claim it has prompted a weakening in investor confidence and caused a flight of funds from the Seoul stock market.

Any delay in these reforms, which were originally billed as important steps in the process of democratisation, is expected to be unpopular. "The government will weigh this cost against the benefits of stimulating the economy," says a senior analyst at the Korea Development Institute. "But the danger is that we will see accelerating inflation without a corresponding rise in the economic growth rate."

New Zealand to privatise telecom group

By Terry Hall in Wellington

NEW Zealand's Labor Government yesterday confirmed it would sell Telecom Corporation, in its biggest and most controversial privatisation to date.

The announcement, by Mr David Caygill, the Finance Minister, came in an election year economic statement that disclosed plans to restructure the railways for sale, and to study whether the three international airports could be sold.

The prospect of the Telecom sale has sparked considerable unrest in the Labor Party which largely opposes the measure. Before the last election the Government promised it would not be sold.

Recent reports suggests that plans are advanced to sell it to an international consortium possibly including British Telecom and Australian Telecom, a Japanese company and Bell Telephone of the US.

Estimates of the value of the highly profitable undertaking range from $2.5bn to $4bn.

Mr Caygill said the Government would retain a controlling share. This is to ease the objections of its own supporters, who were concerned at overseas domination. A leaked treasury paper said that up to 99 per cent of Telecom could be sold overseas.

However Mr Caygill said that the Government planned to place a 49.9 per cent ceiling on the shareholding of any foreign "strategic" buyer.

Among other measures, Mr Caygill said that the immigration policies would be relaxed to allow an additional 10,000 migrants a year to come to New Zealand.

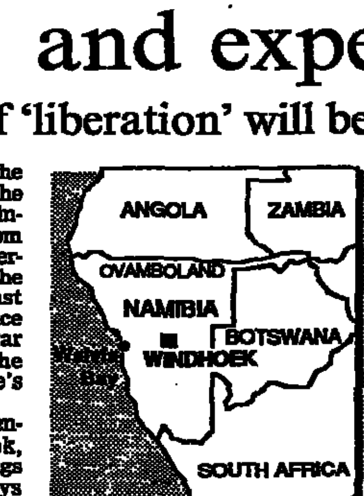
Flag — and expectations — raised in independent Namibia

The true test of 'liberation' will be faced hundreds of miles from the capital, writes Nicholas Woodsworth in Ovamboland

SOME 400 miles from the main celebrations in the Namibian capital of Windhoek, where dignitaries from around the world were gathering last night to celebrate the independence of Africa's last colony, is Ovamboland, once the theatre of guerrilla war and the stronghold of the South West Africa People's Organisation.

Although the focus of attention now is on Windhoek, whose streets and buildings bear testimony to the days before South African rule, when Namibia was a German colony, the success or failure of the 51st member of the Organisation of African Unity will largely be determined by the outcome of events in this key province, *home to nearly* half the country's 1.4m people.

Windhoek is in many ways an artificial creation; until now



a centre of white administration backed by South African finance, it is wholly unrepresentative of the life led by the vast majority of Namibians.

Ovamboland sits on Namibia's far northern border and occupies little more than 6 per cent of the country's total area. In terms of productive contribution to gross domestic product it is insignificant; its people are subsistence farmers and animal herdsmen. But if Ovamboland is peripheral geographically and economically, it is the political heart of the country.

One of the 10 "ethnic" administrations set up by the South African-backed government of Namibia in 1980 along lines similar to those of the "homelands" in South Africa, Ovamboland has long been a neglected area. Its use as a pool of cheap, migrant labour for Namibia's mines and white commercial farming areas to the south was the source of *political opposition to South* Africa's rule of Namibia.

By the mid-1960s Swapo's opposition to migrant labour policies in Ovamboland had evolved into an armed revolutionary struggle that took its ideology and funding from the European communist bloc.

South African attempts to contain Swapo turned Ovamboland in to a military theatre; while often brutal counter-insurgency activities for over a decade resulted in Swapo receiving overwhelming support in Ovamboland, the war has had consequences that today pose major difficulties for the new government.

The area's economic development has been dictated not by often corrupt and inefficient ethnic administration, *but* by the war. But many Ovambos left the land to live beside the single axis along which communications, transportation, power and water run through Ovamboland. They did so not only for safety, but for the economic opportunity provided.

It is estimated that South African troops generated about R240m ($60m) a year in consumption spending in northern Namibia; much of this money went to Ovambos in the form of service sector salaries and income generated through small shops and businesses.

While the spending power of soldiers, police and civilians of the United Nations Transitional Assistance Group, Untag, has temporarily cushioned the economic blow of the withdrawal of South African troops, the economic future is not encouraging. An *artificially inflated economy* will shrink with the departure of Untag personnel. Unemployment in Ovamboland in the last year has risen from 40 to 60 per cent; it will become worse.

Although the government has made employment and rural development its top priorities, it will be years before such programmes can bring results. Merely restructuring the old ethnic administration and providing Ovambos with training and management capacity to undertake development are major challenges.

Ovambo expectations meantime are high. Jobs, improved health and education, and higher standards of living are all awaited as the fruits of independence. If Swapo does not soon succeed in bringing expectations to a realistic level in Ovamboland, economic frustration would *lead to difficulties* for the government in the future.

A more immediate problem confronts the new government, however. A high level of suspicion and mistrust exists between the Ovambo populations and now demobilised security and defence battalions raised among Ovambos by the South African Defence Force. Together these total nearly 4,000 men, many of whom not only remain disillusioned with Swapo's electoral victory, but have access to arms.

Senior Untag officials in the area express serious concern for the period following independence and their withdrawal. So do Ovambo leaders: last week they *sent letters to* the UN calling for increased, rather than decreased, security measures.

For the moment, an indigenous security force in northern Namibia is minimal, pending the formation of new police and *defence units. Until this* power vacuum is filled, political stability in Ovamboland remains unsure.

Venezuela unveils deal to cut bank debt burden

By Stephen Fidler, Euromarkets Correspondent

VENEZUELA yesterday announced an agreement with leading commercial bank creditors over a comprehensive package to reduce its $20.5bn bank debt burden.

As expected the deal offers banks more options than any previously agreed since the launch of the Brady initiative, named after the US Treasury Secretary Mr Nicholas Brady, a year ago.

Under the agreement, banks have the following options:

- To make new loans equivalent to 20 per cent of their exposure. The loans, to be constructed as new money bonds, will be split 40 per cent between bonds of the Republic of Venezuela carrying a 1 per cent interest margin, and 60 per cent bonds of the central bank, carrying a ⅞ point margin.
- To exchange old loans for 30-year bonds carrying a 14-month interest guarantee at either a 30 per cent discount or at a below-market interest rate of 6¾ per cent.
- To allow an interest "holiday" for five years: banks will be paid 5 per cent for years one and two, 6 per cent for the next two years, 7 per cent in year five, and will then revert to floating rates at a margin of ⅞ point over money market rates. There will be a 12-month interest guarantee.
- To exchange their debt for cash in a debt buy-back. The price at which the debt will be bought back has not been set but will be tied to the secondary market price for bank loans.

As usual with such transactions, significant work remains to be done to reach accord on a final agreement.

However, with talks looming between banks and the new Brazilian administration, both the banks and the Venezuelan government have been moving to reach rapid agreement.

Weather plays tricks with US trade and price statistics

By Anthony Harris in Washington

THE WEATHER continued to play tricks with US economic statistics yesterday, producing figures for January external trade (a $9.25bn deficit) and February consumer prices (up 0.5 per cent) which looked much worse than they really were.

The financial markets reponded with what is known in films as a double-take, falling nervously on the announcement, but recovering quite quickly as the details became apparent. The dollar was modestly higher by mid-morning.

Consumer prices rose 0.5 per cent in February, despite a relapse in energy prices from their high levels at the turn of the year; without energy, the rise was 0.6 per cent.

This was much worse than the expected 0.2 per cent, and appeared to suggest an acceleration in inflation. Bond prices were promptly marked down half a point, and the bullish equity market went into retreat.

However, the detailed figures showed that nearly all the overshoot was due to the early appearance of high-priced spring fashions at a time of year when the stores are normally still trying to clear their winter stocks. (This effort which could have been resumed yesterday, because as the figures appeared, Washington was contending with a minor blizzard.)

This raised clothing prices 3.3 per cent above their January winter-sales level. But for this oddity the index would have risen only 0.3 per cent, or 0.4 per cent without energy – in line with the recent trend.

The merchandise trade deficit widened from a revised $7.7bn in December to $9.25bn in January. This was considerably better than the $9.8bn consensus forecast in the markets; but the underlying figures were better still.

The wider deficit was due to the weather: the run-down of oil stocks during the December freeze-up led to a huge 44 per cent jump in oil imports in January, enough to account for virtually all the 7.2 per cent rise in total imports to $41.3bn.

Most other imports apart from clothing were little changed, and imports of cars and parts fell sharply to just over $6bn, a figure not seen for some years. But the high import total concealed a remarkable recovery in exports, up 4 per cent in the month to a record $32bn.

This included rises of 14 per cent in consumer good exports, accelerating from their striking growth record last year to reach $3.5bn, and 13.4 per cent in capital goods, the mainstay of US merchandise exports, at $13.4bn.

- The Department of Commerce announced two improvements in the trade report. From January, volume as well as value figures are being produced, based on the same 1987-based indices used for the real GDP reports; and exports to Canada will in future be based on Canadian import figures, which are regarded as much more accurate than US export statistics along this frontier.

Canada's trade performance rebounded strongly in January, returning to a surplus of C$671m (£351m) from a deficit of C$91m in December, Statistics Canada said, Reuter reports from Ottawa.

Exports rose 6.1 per cent in January to C$11.63bn from C$10.95bn in December, while imports dipped 0.8 per cent to C$10.96bn from C$11.05bn.

Canada's trade surplus with the US rose in January to C$1.2bn after dropping to its lowest level in the past eight years, C$208m, in December.

US industry rallies to fend off chip threat

By Louise Kehoe in San Francisco

US industry leaders this week rallied to the perceived threat of Japanese acquisition of key high-technology companies by announcing a six-company purchase of a semiconductor production equipment division of Perkin-Elmer.

The sale of Perkin-Elmer's Electron Beam lithography division, with estimated annual sales of $65m, to a group of US corporate investors, hardly rates as a big deal in itself. But the agreement, announced on Monday, is a symbol of US industry action to fend off what is seen as the threat of Japanese incursion into the US high technology industry.

International Business Machines, Du Pont, Grumman, Micron Technology and Zitel joined Perkin-Elmer and a group of Perkin-Elmer executives agreed to become joint owners of the semiconductor production equipment operation, rather than see it fall into foreign ownership. The unit makes electron beam lithography equipment, vital to the production of the next generation of chips.

The deal followed months of closed-door talks among leaders of the US high-technology industry. These were prompted by fears that Perkin-Elmer's announced intention of divesting its semiconductor production equipment operations could lead to Japanese ownership of technologies critical to making semiconductor chips, the building blocks for computers and electronic equipment.

In the absence of direction from the White House, US companies banded together. The bigger challenge is yet to come, however. Perkin-Elmer also plans to sell its larger optical lithography operation, which makes equipment of a type more widely used in chip production.

Industry leaders in the US are believed to be discussing a similar joint investment deal for this unit. Meanwhile, the industry continues to seek government support for greater controls on foreign acquisitions.

Canadians tire of stopover refugees

Bernard Simon visits the transit lounge in Gander, Newfoundland

A SURPRISE awaited Canadian immigration officials last Thursday afternoon when Aeroflot flight 333, en route from Moscow to Havana, made its usual refuelling stop at Gander, Newfoundland.

Of the 195 passengers who got off during the stopover, only one nervous family of four Bulgarians, clutching a pencil-written note in English, asked to stay behind. The others, having exchanged their Aeroflot vouchers for Pepsis at the cafeteria, quietly reboarded the Ilyushin IL-86 jet.

The Canadians have become accustomed in the past three months to a rising flood of passengers from Soviet and Cuban aircraft telling policemen and commissionaires in Gander's transit lounge that they wanted to stay in Canada as refugees. More than 50 passengers, roughly a quarter of those on board, skipped flight 333 the previous week.

Indeed, when flight 333 was landing last week, immigration officials were just starting to process a group of 22, mostly Bulgarians, who had left two Cubana Airlines flights earlier in the day.

Since last Thursday, virtually no passengers have left Aeroflot flights at Gander. The fall-off in numbers is only a partial success for the quiet but increasingly urgent Canadian diplomatic effort to hold back a wave of east European refugees through Gander. To the frustration of Ottawa, refugees – *most of them Bulgarians* – have continued to stream in during the past few days. The only difference is that almost all the arrivals since last Thursday have been on Cubana rather than Aeroflot flights.

The Canadians are concerned that the tide through Gander is threatening to get out of hand. By the time the four Bulgarians had been sent off to a local hotel to await their refugee board hearings, immigration officials at the airport had processed 1,537 refugee claims since January 1, triple the number for the whole of last year, and more than 10 per cent of Canada's total refugee intake in 1989. Another 146 arrived last weekend and on Monday.

The surge of refugee claimants, whom Aeroflot's manager at the airport Mr Vladislav Konopko prefers to call "defectors", is a severe test both of Canada's traditional hospitality towards refugees and the resources of Newfoundland, Canada's poorest province.

Mr Paul Green, the easy-going manager of the Gander immigration post, sums up the ambivalent feelings of many Canadians towards the wave of east Europeans: "My own view is that Canada's refugee policy is a noble endeavour. But I have a concern sometimes that there are refugees in camps who are waiting in line to be processed. It can be argued that these people have jumped the line."

Although refugee boards have approved 90 per cent of the recent claims, developments in eastern Europe are *making it more difficult for the* new arrivals to convince Canadian public opinion that they are escaping persecution, and should not be treated as normal immigrants requiring visas.

Noting that the number of family groups passing through Gander has risen sharply in *the past few months, one* senior immigration official predicts that "the (boards') thinking is going to change as more and more freedom becomes available to people in those countries".

Curiosity rather than persecution has seemed the force driving some of the claimants to Gander. Two young Bulgarian men last week impatiently *told Mrs Bridget Foster,* director of the Association for New Canadians, a non-profit agency in St John's, Newfoundland's capital, after two weeks that they were short of money, saw no future for themselves in Canada and wanted to go home. Mrs Foster says such requests are becoming increasingly commonplace.

Gander provides a unique stepping stone to the outside world for east Europeans since travel curbs in their own countries have eased. While the airlines which made Gander a North Atlantic crossroads in the 1940s and 1950s no longer need to use the isolated airport, as many as six Aeroflot jets a day plus several Cubana flights still touch down there to refuel.

Unlike the Irish authorities at Shannon, Aeroflot's other trans-Atlantic refuelling stop, *Canada does not* require transit visas. And Canadian law requires that anyone claiming to be a refugee must get a hearing. "It's the easiest place to reach, and everybody knows it," *says* Venko, a Bulgarian who arrived in Gander last weekend and refuses to give his surname.

Refugee claimants have taken over 15 hotels and 160 flats in St John's, as well as all but one of the hotels in Gander.

The patience of many of those working with the refugees, including about 60 volunteers, is starting to wear thin. "We had a voluntary deportation yesterday, two shoplifters and a marriage," says an exasperated Mrs Foster.

Aeroflot and Cubana have ruled out trying to keep all passengers on board during the stopover at Gander. "We tried to do it," says Mr Konopko. "But if it's 50 or 60 passengers and a lot of them are young men, they start to fight with the crew. We'd rather have the safety of the crew than have the passengers."

Thrift rescue 'may cost an extra $162bn'

By Peter Riddell, US Editor in Washington

THE total cost of rescuing and reorganising the US savings and loan industry will be from at least $32bn up to as much as $162bn more than the $50bn approved last summer by Congress.

A report from a House Banking Committee task force headed by Congressman Bruce Vento estimates $48bn of the original amount will be needed to cover losses involved in closing or selling the 383 savings and loans institutions or thrifts taken over by the Federal authorities up to March 5. The original $50bn was supposed to cover losses to 1992.

The report noted that regulators expect the failure of an additional 225 to 295 thrifts, with losses of least $32bn to $40bn. In addition, 296 to 325 savings and loans are weak and may not recover on their own because they are losing money or will not meet tighter capital standards introduced last year.

Depending on the severity of the losses, the shortfall could rise as high as $162bn, Mr Vento warned. Federal regulators have said there is enough money to last into next year, much to the relief of Congress in view of this November's mid-term elections.

Mr Vento has praised the Administration for proposing the rescue legislation, but criticises it for not providing more money, and for treating the problem as "a policy backwater."

"Political courage has withered away as the Administration has got a better look at the Grand-Canyon-sized hole."

Separately, Mr William Seidman, chairman of the Resolution Trust Corporation, which handles the rescue, has made proposals to its oversight board for putting cash into some insolvent thrifts without taking them under full control.

One idea is that if a thrift fails to meet the new capital requirements and an outside investor is willing to inject some cash, Federal authorities should also contribute.

AMERICAN NEWS

UK remains on sidelines in spite of improved ties

By Robert Graham

THERE could be no sharper contrast within Europe over attitudes towards Latin America than those of Britain and Spain. While Latin America has become the most visited region outside Europe by Spanish ministers over the past decade, it remains the least visited as far as British officials are concerned.

No British prime minister has ever formally visited Latin America, and despite being in office for 10 years, it is the only continent which Mrs Margaret Thatcher, the British Prime Minister, has yet to tour. Her sole visit was to attend the 1981 North/South summit in Cancun.

With full diplomatic relations restored between Argentina and Britain, this has removed a significant obstacle in the UK's relations with the region. In turn this could now lead to a higher profile British presence in Latin America. However, British trade with the region accounts for no more than 1.5 per cent of its total exports, about the same as trade with Denmark. Such a low trade profile continues to condition the priorities in Whitehall.

Nevertheless, with Latin American leaders and aspiring presidential candidates moving away from import substitution models to market economies with an emphasis on privatisation, more interest has been shown in improving ties with the UK.

Additionally, the issues of debt, drugs and the environment have tended to place Latin America higher on the political agenda. However, the importance of these issues will now have to be weighed against the needs to focus more closely on events in eastern Europe. However, British officials insist that the latter should not be a diversion provided Latin American countries begin to show signs of economic improvement and returning to growth.

Britain's trade in the first nine months 1989 was slightly down on the previous year. The main trading partners are Brazil, Mexico, Venezuela and Chile accounting for almost two thirds of the total.

Spain seeks larger Latin American role

Peter Bruce looks at the background to Felipe Gonzalez's recent diplomatic initiative

IF Mr Felipe Gonzalez, Spain'S Prime Minister, could plant one dominant image of himself in the minds of his countrymen, it would surely be a picture Spanish newspapers used of him during his Latin American tour last week. He is in his jet, flying from Venezuela to Chile, talking politics with Mr Daniel Ortega, Mr Oscar Arias, Mr Rafael Callejas and Mr Carlos Andres Perez, the presidents of Nicaragua, Costa Rica, Honduras and Venezuela respectively.

Far away from irritating political and economic problems at home, Mr Gonzalez is precisely where he wants to be - playing the international statesman and conciliator, the bridge between a new Latin America and a new Europe. His visit was the political high point of a renewed effort by Spain to find a place of influence for itself outside its own borders. For obvious historical reasons, that has to be South America.

Madrid has tried before, with only modest success. In 1988, it granted Argentina's new democratic Government a $3bn package of trade credits, aid and debt relief but it has got little in return. In fact, although Spain maintains an overall trade deficit with Latin America, trade volumes have been shrinking steadily ever since Madrid joined the European Community in 1986.

Spanish companies were badly damaged by the Latin American debt crisis and have sharply cut their presence on the continent and in Central America. Spanish banks, once

Felipe Gonzalez, Carlos Andres Perez and Daniel Ortega last week

plentiful in the region, have largely stopped operating in all but the most secure offshore bases, and are no longer in a position to provide support services to Spanish exporters still doing business there. Spanish loan risk in Latin America is now less than $1bn, much of which is State guaranteed.

But the last few months have seen a rapid increase in economic initiatives. In January, King Juan Carlos signed a three-year $4bn credit and trade pact with Mexico and Mr Gonzalez, last week, signed a similar $3bn deal with Venezuela and one worth $2bn with the new Chilean leader, Mr Patricio Alwyn.

Although Mr Gonzalez had some solid economic objectives, during his visit Mr Gonzalez' trip was largely political.

"Spain has the need from time to time to go there and assert herself," Prof Joaquim Muns, a Catalan economist says. Mainly because of Spain's membership of the EC, "the Latins see Madrid going in another direction."

EC membership has torn at Spanish loyalties. On the one hand, Mr Gonzalez badly wants the old colonial power to be viewed now as South and Central America's bridge with the Community. On the other, he often faces either opposition or a simple lack of interest in his ideas from other EC leaders.

Spain appears to have failed, for instance, to secure extra EC funding for Latin America this year, with most member states agreeing to put more cash the way of Eastern Europe.

Divided loyalties also get it into trouble. Last year Madrid toyed with the idea of imposing visa requirements on South Americans but quickly dropped it after distinguished figures like Gabriel Garcia Marquez threatened never to set foot in Spain again. But visas, according to EC rules, will one day be required. Madrid also irritated the entire continent by initially calling its 1992 celebrations of Colombus' voyage of discovery in 1492 to the New World the year of the discovery until it was pointed out that the locals were there first. The theme of the celebrations are now known as *el re-encuentro* (the meeting).

Neither has Madrid quite been able to play the linking role it wants to between Central America and the US. Spanish outrage at the US invasion of Panama last December was matched only by its powerlessness to soften its effects. And Mr Gonzalez appears to have miscalculated quite seriously in persuading Mr Ortega to finally hold free elections in order to satisfy Washington.

Madrid quite definitely thought Mr Ortega would win, which he did not. Mr Gonzalez has since gone to great pains to mollify Mr Ortega and to offer public declarations to the effect the Sandinistas remain the most powerful political force in Nicaragua and that it was Mr Ortega who restored democracy in the country.

The Spanish leader has since offered to mediate in finding ways to dismantle the US-backed Contras, including offering Spanish troops to monitor contra "collection points" inside Nicaragua - a copy of the system the UK used in Rhodesia in 1979 - where they would be disarmed, having first been allowed to enter the country carrying their weapons.

Despite the Sandinista upset, Mr Gonzalez probably does have a serious political vocation, at least in the medium term, in Latin America, where it is hard not to make comparisons with the newly emerging democracies in the region and Spain's own experience after the death of General Franco in 1975.

Mr Gonzalez was happy to play the role of elder statesman and even took the trouble to point out that while General Franco became a lone dictator, countries like Chile and Nicaragua have been run by armies, which would now have to be democratised.

"Democracy in the military means being trained to obey the national sovereignty (the civilian power)," he said, clearly speaking to both the Chilean and Nicaraguan armed forces.

Mr Gonzalez is the only leader of an industrialised western country that can talk to Latin Americans in Spanish, but winning their respect is only one half of the battle. In order to be effective in the region, Spain has to be able to influence noticeably both US and European policy there. So far, it is not.

He had a last chance to shift Western opinion about his political clout in South America when he met the Cuban leader, Mr Fidel Castro in Brazil late in the week, for what seems to have been a vigorous exchange on the follies and virtues of communism. Turning Mr Castro around, or just a little, would have been something but Spain has learned the hard way not to expect too much of its old colonies.

Latin America competing with E bloc for EC attention

by Tim Dickson in Brussels

RELATIONS BETWEEN the European Community and the countries of Latin America were distinctly low key before Spain and Portugal joined the EC in January 1986. Contacts were already widening under Mr Claude Cheysson, the first Commissioner to be given formal responsibility for the region, but the enlargement of the Community to take in the two Iberian countries has turned out to be the main catalyst for change.

The growing preoccupation with this "Latin" dimension in Brussels foreign policy is illustrated by the recent co-operation agreement between the EC and the countries of Central America, providing scope not only for enhanced economic co-operation but also for new "political dialogue".

Next month, EC Foreign Ministers will get together with their Central American counterparts in Dublin as part of a now well established series of annual meetings. This will be followed later in the year by a similar exercise with the democracies of Latin America grouped in the Rio Group.

Closer EC relations - notably with Central America - have been helped by perceptions of the Community as a neutral buffer between the two interfering superpowers.

That may already seem a little outdated today but the EC's interest in the region is now being given practical expression through financial support of around Ecu200m ($238m) for the economics payment system of the emerging Central American Common Market.

Further south a new co-operation agreement covering areas like economic help, scientific co-operation and industrial joint ventures has just been initialled with Argentina and over the next few days, the Commission is expected to seek a mandate from the member states to start negotiations with Chile and Paraguay.

With the EC's attention so firmly directed towards unification of the two Germanies and other emerging democracies in Eastern Europe there is a danger that interest in other regions of the world will wane. In its revised budget plans for the next three years the Commission has proposed that Latin America and the Asian and Mediterranean countries should between them be guaranteed the same amount of money, Ecu1bn, as the whole of Eastern Europe. The main decision making body the Council of Ministers remains to be convinced.

WORLD TRADE NEWS

Japan to step up aerospace drive

JAPAN plans to intensify efforts to find international partners to co-operate in developing new aircraft components as part of its drive to become a major force in the aerospace industry, Paul Betts, Aerospace Correspondent, writes.

Mr Shinichiro Ohta, director of the aircraft and ordnance division of Japan's Ministry of International Trade and Industry (Miti), said Japanese aerospace officials and industrialists would be scouting Europe and the US in the next year to seek collaboration ventures in aircraft components, especially in hydraulic, flight control, and fuel systems.

He stressed Tokyo was promoting an international co-operative approach to aerospace and that government financial support was limited to projects involving joint international collaboration.

Mr Ohta told a seminar organised by the Department of Trade and Industry, that Japan continued to lag behind leading Western nations in the aircraft sector. It had concentrated on airframe and aero-engine collaboration; but now wanted to extend this to the components sector.

Such a move could offer new opportunities for UK aerospace companies to penetrate the difficult Japanese market. A report prepared by the Intermatrix group for the DTI seminar says a window of opportunity exists for UK aerospace companies which could be short-lived as competition from other potential international partners intensifies.

The report says now is a better time to try to establish relationships with Japanese companies while the UK has something to "bring" than later, when perhaps bargaining will not be so favourable.

Apart from the components sector, Japan has launched studies on two civil aircraft projects. These include plans to develop a 75-seat regional jet and studies for a future supersonic airliner. Japan has traditionally had close ties with the US aerospace industry. Commercially, it is a partner in the Boeing 767 twin jet airliner and is negotiating taking a stake in the 767X, Boeing's new $4bn (£2.3bn) wide-body airliner programme.

But while Japan is expected to continue its privileged relationship with the US in the large commercial airline sector, it is looking for European partners for its smaller regional jet programme.

Mr Nanao Shiobara, general manager of international programmes, aerospace division of Mitsubishi Heavy Industries, said the US aircraft maker had no plans to develop a small regional jet. In Europe, however, several aircraft makers are investing in regional jets.

Japanese aerospace companies visited all major European groups involved in regional jets last November including British Aerospace (BAe), Fokker, Aeritalia, Aérospatiale and Messerschmitt-Bölkow-Blohm (MBB).

BAe, with the 146 and Fokker with the F100, already have products in the regional jet market. But Aérospatiale, Aeritalia and Casa of Spain are jointly studying developing a regional jet, while MBB is studying a similar product in a joint venture with the China National Aero-Technology Import and Export Corporation. Japan is believed to be interested in possible co-operation with either group.

Mr Shiobara said Japan saw big co-operation opportunities involving Japan, Europe and the US in developing a new-generation supersonic commercial aircraft. He argued there was only room for one such project, entailing broad collaboration between US, European and Japanese partners.

The three leading aero-engine companies, General Electric and Pratt and Whitney in the US and Rolls-Royce in the UK, have indicated interest in co-operating in studies to develop an engine for a new supersonic aircraft. Japan is co-operating with Rolls-Royce and Pratt and Whitney in the V2500 civil jet engine which powers the Airbus A320, the A321 and the new McDonnell-Douglas MD90 twin-engine airliner.

Mr Jean-Pierre Lehmann of Intermatrix suggested aerospace will be a critical sector for Japan in the 1990s and become a leading sector in the next century.

Comecon's uncomradely threat to Cuba

Trade relations with E Europe are not what they used to be, writes Robert Graham

IN ONE of his now characteristic excoriations of his former allies in eastern Europe, President Fidel Castro of Cuba commented of the trading bloc Comecon: "It was customary in Comecon meetings to call those attending 'comrades'. Now the word 'comrade' has been abolished by a few members. Others do not even call them 'comrades'. They call them 'gentlemen' and 'ladies' or 'miss' if there is one there."

These new gentlemen and ladies threaten a profound change in Cuba's well-established trade patterns with eastern Europe. The economic models being developed in Czechoslovakia, Hungary, and Poland plus the fast metamorphosis of East Germany into a united capitalist Germany are expected to lead to cuts – if not a break – in commercial relations and aid flows.

Although these four countries account for less than 15 per cent of Cuba's annual $11bn two-way trade with eastern Europe, the impact of these changes will be great. Cuba cannot easily make up for even a gradual slow-down in east European trade links. Nor can The Soviet Union take up the slack; while elsewhere markets are slim and the "capitalist country" trade volume of $1.7bn is in effect capped by credit problems.

The unravelling of the commercial linkage between the Soviet Union and the rest of Comecon will also inevitably produce a knock-on effect in such a peripheral partner as Cuba, situated more than 7,000 miles away from its market.

Within the Soviet Union, Moscow's annual $2bn-$3bn worth of assistance to Cuba is increasingly questioned. Deliberate and drastic cuts are unlikely in the short term, especially in vital oil supplies running at 12m tons a year. But in discussions on trade and aid after this, the final year of the present Cuban-Soviet five-year agreement the Soviets are putting everything under the microscope; and last week throughout Cuba there were simulated emergency exercises to cope with a shortfall in oil deliveries.

The Soviet Union is unhappy, for instance, about some 15 per cent of its merchant fleet plying to and from Cuba. Cuban ports are small and their poor handling facilities allow little room for savings through fewer sailings in larger vessels or quicker turn-round times.

Cuba felt the winds of change at the 44th session of Comecon in Sofia, Bulgaria in January when it found itself almost totally isolated in supporting the organisation's continued existence on the basis of centrally-planned economies. Since then matters have changed further and this month saw Bulgaria, Czechoslovakia, Hungary and Poland voting against Cuba's human rights record at the UN.

Cuban officials see this as the first sign of the US demanding that these countries turn politically and economically against Cuba in exchange for financial aid in their economic reforms.

Castro: fewer comrades

Cuba's main export items to the Soviet Union and other Comecon members have been sugar, nickel and citrus – the current quotas and prices being fixed in 1985 for the 1986-90 plan. Of this, sugar accounts for more than 85 per cent in value terms because the commodity is paid for at a subsidised price equivalent to 37 cents a pound (more than twice the market price).

Since the Soviets cover one third of their 13m annual sugar consumption from Cuba, both Cuban and Soviet officials assume supply levels will be maintained after December when the existing five-year arrangements expire.

However, the current turmoil within Comecon raises three vital issues about next year's sugar exports:

- Will the Soviet Union continue with the same level of subsidy and will this also apply uniformly in eastern Europe?
- Will the Soviet Union still bring the sugar to the market and at the same freight charge, since all Comecon sugar is believed to be carried in Soviet or Soviet-chartered vessels?
- Will the newly-converted "free marketeers" seek alternative supplies?

Mr Carlos Rafael Rodriguez, the veteran Cuban Vice-President, has made a strong plea to Comecon for preferential prices to be continued. Though Cuba has always rejected as colonialist arrangements such as the European Community's Lomé Convention, this is what Havana is now envisaging with sugar sales to east Europe.

The Cubans argue that less than 20 per cent of world sugar exports are bought at a "market price". The majority of east European countries may still find it convenient to source sugar supplies from Cuba.

However, East Germany, absorbed into a united Germany, is likely to operate via the EC which has well established external buying arrangements that largely ignore Cuba. East Germany is the largest sugar buyer after the Soviet Union, accounting for 7 per cent of the Comecon total.

Similar considerations apply to the other main commodity exports of citrus and nickel. Cuba has been exporting some 750,000 tons of citrus to eastern Europe, especially the Soviet Union and East Germany which, in both cases, accounts for more than 50 per cent of supply.

Cuban officials believe they can maintain or even expand their citrus exports to this market, provided they can obtain adequate shipping and improve quality.

In the case of nickel, Comecon takes 75 per cent of Cuba's current 38,000-ton annual production and is pledged to buy the same percentage when production eventually doubles. Given the international price, and the Comecon credits sunk into nickel development, these sales are likely to continue.

Cuba could also benefit from charging a "market" rate; but it could also find the US seeking to prevent the new market economies of eastern Europe from purchasing nickel. The US has always been vigorous in trying to prevent foreign sales of this strategic commodity.

Elsewhere, the changes in Comecon put at risk Cuba's plans to use the trading bloc as a captive market for its higher-tech exports such as those in the computers, electronics and biotechnology fields.

Considerable funds have been devoted to these sectors but only in biotechnology and pharmaceutical products has Cuba made sufficient advances to ensure hard currency earnings. Attempts are being made to develop alternative markets in Latin America, notably Brazil. But the openings are small and handicapped by credit problems.

Soviet Union calls for sharp cuts in trade with Hungary

By Nicholas Denton in Budapest

THE SOVIET Union is demanding sharp cuts in its trade with Hungary which threaten Hungary's energy supplies and the loss of 200,000 jobs in the country's mechanical engineering sector.

The two sides yesterday opened another round of trade negotiations still far apart on how Hungary is to be paid for the surplus it accumulated last year and on the composition of this year's trade.

Faced with an energy crisis at home, the Soviet Union wishes to reduce all exports to Hungary by a third and total energy supplies by even more.

Moreover, the Soviet Union envisages an 80 per cent cut in its imports from Hungary of mechanical engineering products.

These would then represent only 10 per cent of Moscow's total imports from Hungary. The Hungarian negotiators are holding out for a 60 per cent share for mechanical engineering.

Mr Laszlo Bekesi, the Hungarian Finance Minister, forecast that this would force 60 per cent of the sector to stop production and mean 200,000 unemployed.

Mr Laszlo Csaba, a leading Hungarian expert on trade within the Soviet-led Comecon bloc, thought that the 1990 trade protocol would be finalised within the next two weeks, despite the apparent gulf between the two governments.

"This is characteristic of under-developed non-market economies where bargaining starts at 1 and 10 like in a bazaar."

Since Hungary's socialist government has only a few weeks left in power, it is in the Soviet interest to conclude an agreement soon rather than be forced to begin again after this Sunday's free elections produce a new administration.

Bankruptcy proceedings were initiated on Monday against Ikarus, Hungary's national bus manufacturer and one of the companies most vulnerable to the cut in Soviet trade.

The move, by Csepel Auto, a supplier of Ikarus, is unprecedented and could set off a series of bankruptcies in the web of enterprises which are dependent on the Soviet market and hugely indebted to each other.

Most economists and officials agree that it is essential to let insolvent companies fail, to persuade the survivors to take liquidity seriously and control the inflationary credit explosion.

The Hungarian Government vowed last year that it would allow about 50 companies to go bankrupt, but has not implemented its resolve until now, faced by companies such as Ikarus with their attendant lobbies.

EC dumping duties on Japanese ferroboron

THE European Commission has imposed anti-dumping duties on Japanese exports of ferroboron, an additive used to make steel more durable, which it decided was being sold at unfairly low prices within the EC, Lucy Kellaway reports from Brussels.

The decision is important within the Community, as ferroboron is closely linked to the fortunes of the steel industry. It comes when US-Japanese relations on dumping are strained, and when all parties are trying to reach a common approach to dumping measures within the Gatt Uruguay Round.

The Commission said yesterday it had found evidence of dumping between 1985 and 1988, when imports of ferroboron from two Japanese companies rose from 54 tonnes (5.3 per cent of the European market), to 483 tonnes, equal to almost 40 per cent.

During that time, the dumped goods were found to be under-cutting average Community prices by 18.2-22.8 per cent, resulting in financial losses or squeezed profits by EC producers.

The Commission argued that failing imposition of a dumping duty, the European industry might have had to cease production altogether of ferroboron, marginalising yet another important industrial sector because of imports.

The level of duty, which is only provisional, will be 23.3 per cent for Japanese exports of ferroboron, except for that produced by Yahagi Iron, for which the duty will be 11.4 per cent.

- The Commission has started a review of anti-dumping measures on artificial corundum from the Soviet Union, Hungary, Poland Czechoslovakia and China. The European Council of Federations of the Chemical Industry has complained existing price commitments have not succeeded in stopping dumping.

S Africans 'in steel plant deal with Taiwanese'

THE South African ferro-alloy producer Samancor, and Highveld Steel and Vanadium, are reported to have signed a letter of intent with a Taiwanese steel producer for a R1bn (£158m) cold-rolled stainless steel plant in Taiwan and a R2bn hot-rolled plant in South Africa, AP-DJ reports from Johannesburg.

Johannesburg's Business Day yesterday quoted Mr Hans Smith, Samancor's chief executive, as saying in Taiwan, where he and Mr Leslie Boyd, Highveld's chairman, signed the deal, that the 200,000-tons-a-year Taiwan plant would be for downstream processing of hot-rolled stainless steel from the Samancor/Highveld joint-venture plant.

The two companies and West Germany's Thyssen Edelstahlwerke would have a 40 per cent stake in the Taiwan plant. Taiwan's Yieh Loong group would share in the 270,000-tons-a-year South African plant, probably to be in Witbank, East Transvaal. A final decision is expected by end-June.

THE UK BUDGET

Single people / married women			
Income	Old tax	New tax	Tax cut
5,000	554	499	55
10,000	1,804	1,749	55
16,000	3,304	3,249	55
20,000	4,304	4,249	55
25,000	5,781	5,693	88
30,000	7,781	7,693	88
40,000	11,781	11,693	88
50,000	15,781	15,693	88

Married men (all income earned, £)			
Income	Old tax	New tax	Tax cut
5,000	156	69	87
10,000	1,406	1,319	87
16,000	2,906	2,819	87
20,000	3,906	3,819	87
25,000	5,156	5,069	87
30,000	7,145	7,005	140
40,000	11,145	11,005	140
50,000	15,145	15,005	140

Income tax allowances to be increased

■ INCOME TAX: Basic and higher rates unchanged for third year at 25 per cent and 40 per cent respectively. The target remains a basic rate of 20 per cent. Main allowances to rise by 7.7 per cent in line with inflation but basic rate limit unchanged at £20,700 of taxable income. The personal allowance goes up by £220 to £3,005; the new married couple's allowance is £1,720. Personal allowance for those aged 65 to 74 rises by £270 to £3,670 and the married couples allowance rises by £160 to £2,145. For those aged 75 and over the personal allowance will go up by £280 to £3,820 and the married couple's allowance rises to £2,185. Income limits for the age allowance are fully indexed and rise by £900 to £12,300.

■ FORECASTS: GDP growth only 1 per cent 1990, picking up to 2¾ per cent in 1991; inflation to rise close to double figures and stay high for some time before falling back below 5 per cent during 1991; interest rates to stay high for some time; balance of payments deficit on current account to be £15bn in 1990.

■ MONETARY TARGETS: Narrow money M0 (notes and coin) growth to be targeted at 1 to 5 per cent although it currently exceeds the tope end of that target. No attempt is to be made to target broad money M4 which persistently misperforms – but it will be "monitored."

■ FISCAL POLICY: Public Sector Debt Repayment of £7bn estimated for current year, only half the estimate of last year's Budget and seriously adrift from the revised £12¼bn in the Autumn Statement. Special factors blamed including fall in privatisation proceeds and large increase in local authority spending. PSDR for the next year pencilled in at same figure of £7bn. Some £25bn of debt has now been repaid in three years taking level of government debt back to pre-First World War levels and saving £2¼bn a year in debt interest – enough for 150 district hospitals, said Mr Major. "Which are not being built," shouted opposition MPs.

■ STAMP DUTY: Stamp Duty on shares abolished as soon as paperless trading begins when the Stock Exchange gets its TAURUS computersied share-dealing system operational next year to catch up with New York and Tokyo. Stamp Duty Reserve Tax abolished at same time. Stamp Duty on land and property remains in place.

■ BANK PROVISIONS: Banks, which face a number of complicated measures to deal with from the Budget, will get phased tax relief on provisions for write-offs arising from lending to Third World countries.

■ INHERITANCE TAX: Threshold rises £10,000 to £128,000 in line with inflation

■ CAPITAL GAINS TAX: Exemption remains at £5,000 per person but the introduction of independent taxation of husbands and wives in April means a married couple will now have a total exemption of £10,000.

■ WORKING MOTHERS: Mothers who work or want to work have secured a significant victory with the exemption from April of the value of workplace nurseries and playgroups from taxation as a benefit in kind. Until now mothers have been taxed once their earnings exceeded £8,500 a year.

■ SAVING: With limited room to manoeuvre the Budget focuses on radical measures to promote thrift and savings, at which the Japanese and Germans are kings, to follow the years of surging consumerism. Banks and credit institutions "warned" about mail-shots to encourage borrowing. Each adult entitled to one new Tax Exempt Special Savings Account – TESSA – savings account at bank or building society in which all interest earned on maximum savings of £150 a month will be tax free provided the capital remains untouched during a five-year savings period. After five years saver gets bonus representing the money which otherwise have been paid in tax. It does not start until January. Also delayed – until April 1991 – is the abolition of composite rate tax which is applied to savings accounts at a rate of around 22 per cent, giving basic rate taxpayers a gain of about three percentage points and non-taxpayers a 22 per cent disadvantage. National Savings Investment Account and Income Bonds interest rates rising 1 per cent. Personal Equity Plans get a boost with the annual limit on investment increased a quarter to £6,000 and, within that, the annual limit on investment in unit and investment trusts also up 25 per cent to £3,000.

■ CAPITAL RULE: Huge cheers from all parties for decision to raise immediately from £6,000 to £8,000 the amount of capital permitted before income credit and family support is denied and to double the limit from £8,000 to £16,000 for housing and poll tax benefit. Scottish MPs were quick to note that their constituents have already been paying poll tax for a year with no such help.

■ CHARITIES: For those that do not save all their spare cash the annual limit for tax free gifts to charities through payroll-giving schemes is raised from £480 to £600. New tax relief on one-off gifts of £600 to £5m a year per individual or company. VAT relief to organisations involved in sea rescue, medical care and research.

■ EXCISE DUTIES: The green lobby did not get as much as it wanted from the Budget but the differential on unleaded and leaded petrol widened to 16p a gallon, leaded rising 11p and unleaded 9p. Since the last Budget market share of unleaded has jumped fivefold to 30 per cent. DERV up 9p a gallon, a rise of 10 per cent. The vehicle excise duty on cars remains unchanged at £100 and the duty on buses, coaches, taxis and some lorries remains unchanged. A total of 188 different lorry rates were abolished, following 80 which were abolished last year.

Wine and beer duties increased by inflation putting 2p on a pint of beer and 7p on a bottle of wine. Spirits, which have escaped duty rises since 1985, will increase by 54p a bottle, a rise of 10 per cent. Cigarettes rise by 10p for 20 and cigars by 5p for a packet of five, increases of 10 per cent. Pipe tobacco escapes any increase, a measure duly appreciated by Mr Neil Kinnock, Opposition leader.

■ CORPORATION TAX: Main rate stays at 35 per cent. Companies will pay reduced rate of 25 per cent if their profits are below £200,000 instead of £150,000. The reduced rate level has been doubled in two years. The average rate of tax steadily rises once profits are above this limit until it gets to £750,000; this level will now be raised to £1m at which point the main rate becomes payable. No company with profits under £1m a year will pay the full Corporation Tax, the most benign Corporation Tax regime in any EC country.

■ SMALL BUSINESSES: From April 1991 all debts over two years old and written off qualify automatically for VAT relief. A new simple rule for VAT registration will be based on actual turnover in preceding 12 months.

■ VAT: Threshold raised from £23,600 to £25,400, the maximum permitted under EC law. VAT paid by companies on accommodation provided for directors will no longer be deductible.

■ TRAINING: The Government's enthusiasm for training is underlined with further encouragement for Training and Enterprise Councils.Tax relief will be provided for business donations to TECs for five years until April 1995. The same benefit will also apply to local enterprise agencies.

■ COMPANY CAR: Tax benefit of company cars reduced again with further 20 per cent rise in scale for taxation.

■ FOOTBALL: Mr Major, a cricket enthusiast, cut Pool Betting Duty from 42½ per cent to 40 per cent on condition that the full amount saved is passed on by the pools promoters to the Football Trust for use to improve safety and comfort of fans at Scottish and English football league grounds. He had no word on the comfort and safety of fans in Wales and Northern Ireland.

The decade from Geoffrey Howe to Nigel Lawson

Budgets of the Thatcher years

By Peter Norman, Economics Correspondent

1979 Howe's first, radical Budget with a shift from direct to indirect taxation. Basic rate of income tax cut to 30 per cent from 33 per cent. Higher rates above 60 per cent abolished. Value added tax raised to 15 per cent. Government spending cut by £1.5bn. Increased petroleum revenue tax. Exchange controls relaxed.

1980 Higher taxes on beer, wine, spirits, cigarettes, petrol and gambling. Corporation tax for small companies cut by 2 percentage points. 100 per cent capital allowances for enterprise zones. Main social security benefits raised, except those

1981 The tough Budget that caused 364 economists to send a letter of protest to The Times. No indexation of tax-free income tax allowances. New supplementary petroleum duty on companies' oil revenues and a special tax on banks' deposits. Increased duties on spirits, wine, beer and cigarettes.

1982 Capital gains tax threshold increased and to be indexed in future. National insurance surcharge reduced. Higher petroleum revenue tax and increased taxes on alcohol, cigarettes, gambling and petrol.

1983 A pre-election Budget and Howe's last. Personal allowances up. Corporation tax for small companies reduced. Further cut in national insurance surcharge. Increased taxes on alcohol, cigarettes and petrol. Incentives for oil exploration and industrial innovation.

1984 The first Lawson Budget. Big reform of corporation tax with phased reduction in rate to 35 per cent by 1986. Investment income and national insurance surcharge abolished. Tax on beer, spirits and sparkling wines up, but duty on table wine cut. Increased taxes on cigarettes, gambling and petrol. Expatriate and foreign nationals' tax privileges cut.

1985 Restructuring of national insurance contributions, including removal of upper limit on employers' contributions. VAT extended to newspapers and magazines. Higher taxes on alcohol, cigarettes and petrol.

1986 Basic rate of income tax cut to 29 per cent. Personal Equity Plans introduced. Capital transfer tax replaced by inheritance tax. Stamp duty on share transfers halved to 0.5 per cent.

1987 Lawson's vote-catcher. Basic income tax rate cut to 27 per cent. Alcohol and tobacco duties unchanged. Cut in duty on lead-free petrol. Tax relief for profit-related-pay schemes. New tax regime for personal pensions. Exchange Control Act repealed.

1988 Lawson's post-election radical Budget. It prompted uproar in the House of Commons and caused the first-ever suspension of a Budget sitting. Basic income tax rate cut to 25 per cent and a single higher tax rate of 40 per cent. Capital gains tax brought into line with income tax. Independent taxation of husband and wife announced for 1990. Taxable benefit on company cars doubled. Mortgage interest relief limited to one per dwelling. Excise duties up except for unleaded petrol. First repayment of national debt for 20 years.

1989 Lawson's last Budget. Income tax rates unchanged. Simplification of national insurance contributions. Lower duty on unleaded petrol.

Local government spending out of control

Public spending pressure looms

By Simon Holberton

THE Government yesterday conceded that it can not control local authority spending and that lower-than-expected budget surpluses meant that the cost of servicing the National Debt will rise.

In a departure from past experience, which is galling for the Treasury, the Government has had to increase its estimates for local authority spending from those it published less than two months ago in its public spending white paper.

The prime culprits in the coming financial year are an extra £1.3bn of local authority spending – brought about by the higher level of the community charge, or poll tax – and higher debt interest payments on Britain's debt of £2.5bn.

Although Mr John Major, the Chancellor, conceded that central government spending – the spending the Treasury directly controls – overshot its plan by £2.5bn in 1989-90, he gave not hints on spending in the coming years.

But given the pressures on the public purse from his colleagues at the Departments of the Environment, Transport, Education and Health, it is seems clear that public spending rounds this summer and autumn will be among the toughest the Treasury has faced since the Government won power in 1979.

Mr Major presented a Budget in which he thought all the risks were in the direction of slower rather than robust growth this year.

The domestic economy is forecast to contribute little to overall growth; with 1990 a year of export-led growth with the recovery in North Sea oil production assisting.

The Chancellor eschewed tightening our fiscal stance and has left it to interest rates to deliver the lower inflation he is forecasting. He thinks inflation will fall to around 7.25 per cent by the end of the year and then to 5 per cent by June next year.

Although the Treasury does not show it, it is unlikely that such a profile for retail prices inflation allows for much of a fall in the underlying rate of inflation. Looking at the analysis of the key components of the retail prices index, which the Treasury has forecast to June 1991, it appears that Mr Major has some large cuts in interest rates planned for the first half of next year. He doesn not, hwoever appear to be banking on much of an easing in interest rates for the remainder of the year.

Up until October last year the Government said that it would not permit a fall in the exchange rate to bail out industry's permissive pay awards. In a startling admission, the Treasury makes reference in the Budget to how sterling's 12 per cent slump last year helped industry's ability to compete abroad.

Unlike previous Budgets the Treasury does not offer a forecast for unit labour costs in either 1990 or 1991. This must indicated that the figures it model of the UK generated were on the negative side of bad. If so, this too bodes ill for inflation.

In the context of costs it mentions that profits growth and margins will be under pressure this year. The Treasury thinks that investment will bear the brunt of this slow down in profits growth. In the Autumn last year it was forecasting 1.75 per cent growth in investment this year; now it foresees and actual decline in investment.

Indeed, it is a fall off in investment that is the key to the growth the Treasury forecasts for domestic demand this year. There will be less destocking that first thought while consumers' spending and Government consuption remain as forecast last November.

If the Treasury's forecast for the UK this year and next turns out to be broadly correct then the major beneficiaries of such an out-turn will be the gilt-edged securities market in the City.

Mr Major sought to clarify his policy towards the financing of his Budget surplus and, in so doing, allowed the Treasury and the Bank of England to be more permissive in the way they seek to ameliorate the effects of the surplus on the London's money markets.

The monetary authorities will fully fund the Budget surplus. This means the Government's fiscal position will neither add nor contract the money supply. But the Budget papers point out that this is an ideal outcome and that conditions "may require temporary or longer term departures from" the rule.

His forecast of a £7bn public surplus this year is very close to the level of redemptions of gilts. It is possible that the Bank could return to gilt issuance this year; it is certain to do so in 1991/92 as the Treasury believes the Budget surplus will amount to only £3bn.

The Treasury clearly believes that it has gone most, if not all, of the way to curing the problems of too much liquidity in the London money markets by the changes it announced on February 15 to the access local authorities have to the Public Works Loans Board, the Treasury-administered authority which lends for local authorities' capital expenditure.

THE TREASURY'S CHANGING VIEW OF 1990

	1990†	1990*	1990¶	1991¶
GDP AND DOMESTIC DEMAND				
Domestic Demand	1.5	0.0	-0.5	0.75
of which:				
Consumers' expenditure	2.0	1.25	1.25	1.0
General government consumption	1.0	0.25	0.25	0.75
Fixed investment	3.0	-1.75	-1.25	-.75
Change in stocks (% of GDP)	-0.5	-1.5	-1.25	0.25
Exports	7.0	6.25	7.25	5.50
Imports	3.0	1.25	1.0	3.0
GDP	2.5	1.25	1.0	1.5
Manufacturing output	1.5	1.5	0.0	0.75
Current account (£bn)	-12.0	-15.0	-15.0	-12.0
Retail price index (Q4 on Q4)	4.5*	5.75	7.25	5.0
Money GDP	6.0	6.75	7.50	6.75
PSDR (£bn)	10.0	10.0	7.0	3.0

Sources: †Budget, March, 1989; *Autumn Statement, November 1989; ¶Yesterday's Budget. Notes: percentage changes on previous year unless otherwise stated; ¶Financial year; *Q2 on Q2

POLITICAL REACTION

Budget offers cheer for Tories

By Philip Stephens, Political Editor

A BUDGET seen at Westminster as designed above all to steady the frayed nerves of the Government's supporters won Mr John Major plaudits from Conservative MPs and grudging admiration from some of his political opponents.

The Chancellor, who told a crowded meeting of backbench Tories after his speech that "If we don't lose our heads we won't lose our (parliamentary) majorities", was judged by colleagues to have extracted the maximum political capital from an inevitability tough Budget.

Though the Government is bracing itself for a further battering in the opinion polls over the next few months, the package was seen as offering some cheer for its beleaguered supporters.

Mr Major's confident and outwardly relaxed performance in the House of Commons was seen also as enhancing his own chances to succeed Mrs Margaret Thatcher when she eventually steps down as Prime Minister.

Speaking at a Westminster press conference, Mr Major underlined his confidence that the combination of high interest rates and a tight fiscal policy would bring the sharp fall in inflation the Government needed before the next general election.

He also reinforced his commitment to eventual membership of the European Monetary System's exchange rate mechanism, commenting that: "Our commitment to the ERM should not be in doubt." Though he declined to be precise about the timing, he was careful not to rule out membership before the election due by mid-1992.

As ministers and MPs digested the details of the Budget there was no illusion that it would offer an instant revival in the Conservatives' fortunes. The Labour party voiced its confidence that it would not restore voter's confidence in economic management.

Senior Ministers said that they were still resigned to a major defeat in tomorrow's by-election in Mid-Staffordshire and further losses in the May local elections. The introduction next month of the new local government poll tax and a rise in the inflation rate to perhaps 9 per cent in May might also widen further the Labour opposition party's present 20-point lead in the opinion polls.

There was also acknowledgment among some MPs that the decision to raise only a net £500m in taxes in the next financial year might not be enough to persuade the financial markets of the Government's anti-inflation credentials.

The combination, however, of a range of populist measures in yesterday's Budget with the promise of a steep fall in the inflation rate next year was greeted with widespread acclaim among Conservative MPs.

They singled out the moves to ease the impact of the poll tax on 250,000 people with savings of more than £8,000, the incentives for saving, the tax concessions for charities and child-care, and the help for small businesses as particularly welcome.

Mr Terence Higgins, the chairman of the Treasury and Civil Service Committee, echoed the views of most Conservative MPs when he said that Mr Major had produced a package which combined the right judgement on fiscal policy with range of attractive measures.

Mr Robert McCrindle, another prominent Tory backbencher, articulated the views of a minority, however, who believe that Mr Major may not have done enough to calm financial markets. The Chancellor, himself, was careful to emphasise that he did not foresee a tough Budget this year being followed by a pre-election "giveaway" in 1991, commenting that "People who think I am in the boomlet business. may be wrong".

For Labour, Mr Neil Kinnock, the Leader of the Opposition, said that Mr Major had delivered a "bits-and-pieces" Budget which would do little to solve the fundamental economic problems faced by Britain. He said there was a widespread recognition of the need for the Government to adopt an alternative strategy designed to encourage investment and create currency stability. He concentrated the opening salvos of Labour's attack on the Chancellor's failure to recognise the special position of Scotland in relation to the new poll tax.

Tiptoeing through menacing terrain

By Ralph Atkins

AT THE top of his Budget speech, Mr Major had written "Mr Deputy Speaker, the Government's economic policy has two main objectives." At the other end, it read: "I commend it to the House and country."

In between lay a solitary, menacing terrain. Behind him Tory backbenchers nervously counted their majorities, Labour waited like vultures and above, in the overspill gallery, Mr Michael Heseltine, the Conservative party's leader-in-waiting mentally measured-up the government benches.

Mr Major was never to reach the conclusion. His speech collapsed near the end amid protests from Scottish MPs against the extra relief for low-income payers of the new local community poll tax which the Scots had already been paying in full for a year.

Along his lonely journey, the Chancellor grabbed at what was secure and familiar. He would take "no risks with inflation", interest rates would remain high for "sometime".

But he managed to conjure up some female companionship. "Tessa", with her penchant for thrift, was his cheerleader in a "budget for savers".

Within minutes of starting, the Chancellor almost fell down an elephant trap. His helpful contents list for the TV viewers hinted at savings incentives and business help to come, "and it will abolish two taxes," he added proudly. Seconds later the penny dropped. "Poll tax, poll tax" yelled the Labour benches.

Along carefully worded passages on the European Monetary System, Mr Major began to wade through mud.

Not until the final straight did the pace pick up. Tax help for football stadiums was followed by income tax rates, help for workplace nurseries and Tessa's noisy debut.

As he announced the extra rebates for community charge payers he was met with outraged waving of parliamentary papers by Labour MP's.

Mr Donald Dewar, shadow Scottish minister, tried to raise a point of order and Mr Major was drowned out. And the big day ended with a flurry and a small area of green leather bench, from which the Chancellor had risen, lying vacant beside the Prime Minister.

INDUSTRIAL REACTION

Growth forecast provokes jitters

By Charles Leadbeater

INDUSTRY'S reaction to the budget ranged from praise for a triumph which would lay the foundations for renewed investment, lower inflation and stronger growth next year to warnings that the Chancellor was living in a wonderland if he thought industry's competitiveness would not deteriorate markedly.

There was unanimous praise for measures for small businesses, lifting some of the corporation tax burden and easing the VAT obligations, to help them overcome some of the acute difficulties many face because of higher interest rates.

However, the dominant response was a nervous apprehension, prompted by Mr Major's warning that growth in 1990 would be lower than forecast in the Autumn Statement, inflation would be higher and that the downturn might be quite sudden.

The Chancellor's forecast that the economy would only grow by 1 per cent this year, interest rates would remain high for sometime, and inflation would still be 7 per cent by the end of the year provoked some jitters.

Sir Denys Henderson, chairman of Imperial Chemical Industries, welcomed the changes to help small savers and businesses. But he sounded a muted note of warning: "I hope the Chancellor's inflation forecasts are borne out and permit an early entry into the EMS exchange rate mechanism."

Many of the detailed changes were welcomed, such as tax relief on corporate donations to Training and Enterprise Councils to promote training and the encouragement of workplace nurseries to boost the recruitment of married women. Car companies were particularly pleased that the schedules on company cars were not raised by more than 20 per cent.

However, there was a pervasive sense that many of the fundamental questions facing industry, particularly the prospects for investment and exchange rate stability, remain to be tackled.

Mr John Banham, director general of the Confederation of British Industry, said it was a correctly cautious budget which would continue the tough medicine for consumers and businesses.

The Engineering Employers Federation was blunter. "It was a disappointing budget," it commented. "Not the budget that industry needed. For future growth we have to rectify the trade deficit. It is disappointing that investment spending will not get full tax relief against expenses as they are incurred."

The Electronic and Business Equipment Association which represents most electronics companies went further still. Mr Peter Sachs, the director, lamented that corporation tax was still too high compared with European countries and that as investment in the UK was being reined in it was growing rapidly on the Continent.

One frequent complaint was that the budget helped the City, through abolishing stamp duty on share transactions and the banks through measures on the taxation of bad debt write-offs at the expense of manufacturing.

International companies welcomed the abolition of stamp duty on share sales, although there were no moves on the way they paid advanced corporation tax on foreign profits. Mr Chris Bull, finance director of BTR, diversified international industrial group said: "As an international company, encouraged by the Government to pursue profit opportunities, we need to have access to all the world's capital markets. This tax has restricted the ability of companies to expand there equity base overseas."

However, the sectors which have been most hard hit by the rise in interest rates saw no solace.

Sir Clifford Chetwood, chairman and chief executive of Wimpey, Britain's second largest housebuilder, said the prospect of slow growth in the economy indicated that the recession in the construction industry would continue.

Sir Clifford, president of the Building Employers Confederation, said: "A major disappointment is that the Chancellor has failed to assist the many young people the Government has encouraged to buy homes on a rising market and who now have difficulty meeting mortgage repayments."

Mr James May, Director General of the Retail Consortium, said Mr Major's prediction of continuing high interest rates and high inflation "means it will be another tough year for retailers."

Rises in excise duties, especially on spirits and tobacco, will be felt on the High Street and in manufacturing. The Imperial Tobacco Company, which employs 4,500 people and accounts for 35 per cent of the UK tobacco trade, described the rise as "very disappointing."

FURTHER DETAILS.

Central Statistical Office.
Tel: London 270 6363;
or 270 6364.
Great George Street, SW1P 3AQ.
The Red Book
HMSO Publicity Centre,
PO Box 276,LSW8 5DT.
Tel: London 873 0011.

THE BUDGET: Analysis

FOOTBALL

Clubs breathe a sigh of relief

THE Chancellor's concession on football pools tax will come as a great relief to clubs struggling to meet the requirements of Lord Justice Taylor's report into last year's Hillsborough disaster, when 95 supporters died. The Taylor report called for all league grounds to replace standing accommodation by 1999 and for First and Second Division grounds to be all-seater by 1994.

The £100m reduction in tax which should flow to clubs over the next five years will go a long way to meet the £130m which the Football Association and Football League estimated would be the cost of the Taylor changes. As the Chancellor said in his Budget speech, many of the clubs are in a weak financial position; a report two years ago found that 80 out of the 92 League clubs were technically insolvent.

Using the levy on pool competitions in this way is a long-cherished project of Mr Tom Pendry, the Labour MP who is chairman of the backbench committee on football. A bill to do so was introduced in 1986 and despite receiving all-party support failed because of lack of Parliamentary time. And the idea was earlier floated by Sir Norman Chester in 1968 and re-affirmed by the Rothschild commission on gambling ten years later.

As has often been the case with reports on football, the recommendations gathered dust on the shelves. The pools tax rate at the time of the Rothschild report was only 40 per cent – he suggested a reduction to 37.5 per cent – and ironically the Chancellor's move yesterday only reduces the rate to the pre-Rothschild level.

The Football Trust and Football Grounds Improvements Trust already fund safety and amenity improvements with pools company funds, although that is on the back of spot-the-ball contests rather than the more popular pools competitions.

The two trusts calculated, even before yesterday's tax change, that they would have £75m to spend on ground improvements over the next ten years. The Chancellor also made it clear that ground improvements would be tax exempt.

Philip Coggan

ABOLITION OF STAMP DUTY

A boost to turnover

The abolition of stamp duty on share transactions raises a tantalising prospect for the UK stock market: the possibility of a boost in turnover on the market as dealing costs fall. For a market which is suffering overcapacity and lacklustre trading volumes, the result would be a valuable increase in the life-blood of the market – and hence less pressure on securities firms to pull out.

The scale of the possible benefits for London are difficult to quantify, though a Bank of England paper five years ago, when stamp duty was reduced from 2 per cent to 1 per cent, may give some indication. The Bank estimated that the halving of duty would increase turnover on the stock market by 70 per cent over a five year period, as it became cheaper for investors to trade in and out of stocks.

The Bank also projected that the change would add 10 per cent to share prices. Its reasoning: as dealing costs fall, so the net return from investing in shares rises. This rising yield would attract further investment to the market, pushing up share prices.

However, the Bank warned yesterday against treating these figures as a guide to the effect of the final abolition of the duty on share dealing. The reduction of 0.5 per cent in this Budget may have a very different effect from the 1 per cent fall five years ago, it said.

Also, the large investing institutions, which benefit most from the abolition, claimed yesterday that the change would have no effect on their dealing activity. Typical was Mr Tim Miller of M&G, the unit trust group, who said: "I don't believe the change will have any affect on the investment policy of fund managers in any way. You're not likely to see an increase in activity on the stock market."

A large insurance company, which declined to be named, made a similar observation, adding: "Dealing costs are not the thing that determine whether we deal or not. We are concerned first with whether it is a good idea, and second with the tax implications of the transaction." Pension funds, which do not pay capital gains on their profits, are more likely to be affected by the change, it said.

None the less, the institutions were delighted with the elimination of the tax. For institutions, which generally pay around 0.2 per cent commission, the 0.5 per cent stamp duty has represented no less than 70 per cent of their dealing costs.

One insurance company estimated that it would wipe £2m from its annual transaction costs. M&G, meanwhile, estimated that, given the rate of turnover of its UK share portfolio, abolition would add 0.1 per cent to the performance of its various funds.

For small shareholders, the savings are also striking, although less in proportionate terms since small shareholders pay higher commissions. None the less, a consultative paper issued by the Stock Exchange earlier this week estimated that stamp duty represents a quarter of the share dealing costs of many small investors.

The change will benefit nearly 11m shareholders. According to a survey published yesterday by the Stock Exchange and the Treasury, one in four adults in the UK now owns shares, compared with one in five a year ago.

The abolition is important in the light of similar moves elsewhere in Europe. According to the Exchange, stamp duty in the Netherlands is likely to be abolished this year, while the West German turnover tax is expected to go by the beginning of 1993 and French brokers are pressing hard for the removal of the Paris Bourse tax.

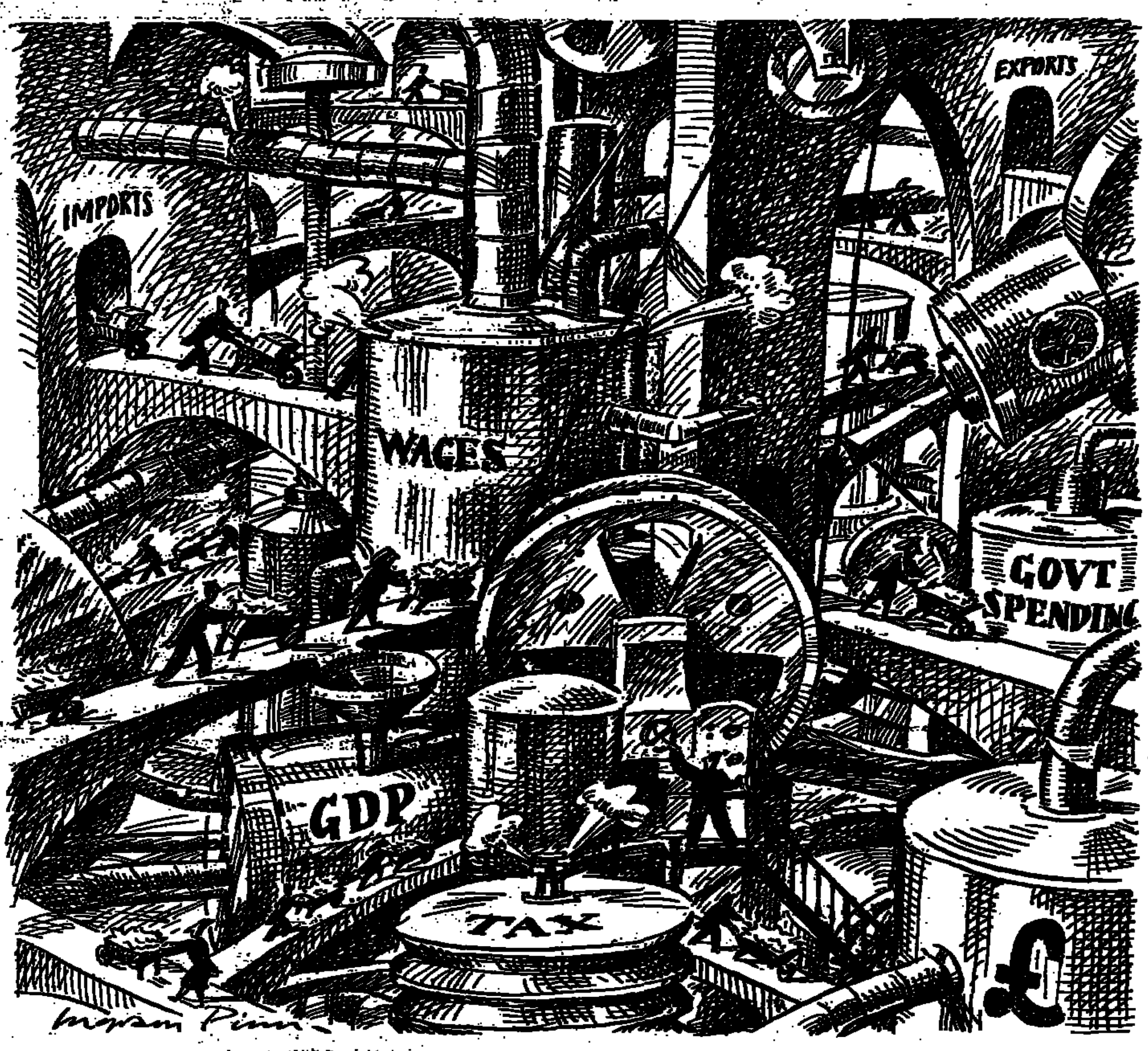
A further effect of the abolition of stamp duty is likely to be a sharp increase in stock index arbitrage in the UK – a programme trading technique which was widely blamed in the US for the severity of the stock market crash in 1987, and which has also come in for criticism in the wake of recent falls on the Tokyo stock market.

Index arbitrage involves buying a futures contract based on a stock market index and at the same time selling the underlying shares, or vice versa, in order to take advantage of temporary price disparities. Supporters (including the London International Financial Futures Exchange) claim that it makes the markets more efficient by ironing out price anomalies, thus ensuring that anyone dealing in the market are more likely to trade at the correct price. Critics, however, claim it leads to violent swings in market indices.

Stamp duty has been one of the major factors discouraging the use of index arbitrage in the UK. By adding substantially to dealing costs it reduces the opportunities for arbitrage, since the profit from a trade needs to be larger to cover the dealing costs and still leave the arbitrageur with a profit.

However, the ending of stamp duty will not unleash overnight the sort of avalanche of trading familiar in some other markets. Other structural factors about the London markets will continue to make stock index arbitrage less attractive than it is elsewhere.

Richard Waters



BANKS

Debt relief mechanism

THE Chancellor's new measures for calculating tax relief on UK banks' provisions against Third World loans is an attempt to bring order to a technical but highly controversial subject.

Third World debt provisions (1989)	
Barclays	£983m
Lloyds	£1,763m
Midland	£846m
NatWest	£990m
Standard Chartd	£427m

Banks are eligible for relief if they make provisions against these loans, but since countries do not go broke in the same way as companies it is never clear when a loss has actually occurred. Up to now, relief has been calculated on the basis of guidelines prepared by the Bank of England. Earlier this year, the Treasury was evidently alarmed about the tax loss implications when the Bank raised its guidelines by a large amount.

The Treasury will now launch its own mechanism with a starting point roughly equivalent to the Bank's. At the moment this sets overall provisions of about 50 per cent but varying greatly from one country to another. Starting next year, banks may raise their provisions eligible for relief by five per cent a year.

If banks sell their loans to another party, their relief will be phased in a similar way. The main exception is if they sell the loans back to the borrowing country, in which case relief will be full and immediate. This exception is intended to lend support to official debt relief schemes like the one launched by Mr Nicholas Brady, the US Treasury Secretary, for Mexico last year.

The measure will not make any immediate difference to banks which have set provisions at Bank of England levels. These include Midland Bank and Standard Chartered. But it will mean that other banks like Barclays, Lloyds and NatWest which went far above the Bank guidelines to the region of 70 per cent at the beginning of this year will now definitely not get immediate tax relief. They will have to move from 50 per cent to 70 per cent in five per cent stages. However, they probably did not expect to get full relief this year anyway.

The Bank of England will continue to set its own guidelines. Provided these are below the Treasury mechanism, there should be no problem. But if the Bank goes higher, UK banks will find themselves in the awkward situation of being advised by their supervisor to set provisions at a higher level than the Treasury permits for tax relief.

According to Mr Major yesterday, the revenue loss from the 1989 provisions will, over time, approach £1bn. But by taking this action, there will be a tax yield of £200m more in 1991-92 than if he took no action. In the long run, the measure will make no difference because it spreads relief out rather than removing it.

David Lascelles

FUTURES

Funds are now set to flourish

THE removal of tax on trading income from futures and options has been applauded by London's derivatives markets which had been lobbying for clarification of the tax treatment of these instruments.

The Chancellor's move will give a psychological boost to pension funds and unit trusts which have been extremely wary of using London's growing futures markets.

Fund managers have steered away from derivatives, fearing they would lose their tax-exempt status if they began trading futures. Unit trusts are exempt from paying tax on capital gains which means they pay no tax for their dealings in equity markets.

Until now some futures transactions – those that were made to hedge a portfolio – came in for capital gains tax. Others – which were classed as trading – were liable for corporation tax. Since unit trusts are required to pay corporation tax, they tended to avoid the derivatives markets.

While the tax changes will give managers of existing funds much more leeway over how they use derivatives, they will also encourage the creation of futures and options funds in London.

The tax changes go hand-in-hand with draft regulations that were issued on Monday by the Department of Trade and Industry which pave the way for futures and options funds to be set up in the UK. Futures funds have grown into a huge market worldwide, but the lack of a regulatory framework for them in the UK had pushed business offshore.

The tax move was welcomed by London's markets where trading volume could receive a significant boost. Mr Michael Jenkins, chief executive at the London International Financial Futures Exchange said that institutions had cited the UK tax regime as a deterrent to using futures and options.

The value of business done in London's derivatives markets is some 30-40 per cent of the value of the underlying cash markets while in France it is around 120 per cent. Exchanges had cited tax as a important factor that had inhibited their growth.

The Chancellor's statement goes further than even the exchanges had hoped since it removes tax altogether from using futures.

D. Hargreaves

Restraint urged on mailshots

BANKS AND building societies yesterday responded with indignation to claims in the Chancellor's budget speech that lenders indulged in indiscriminate mailshots encouraging people to borrow.

"I am surprised that he gave the issue such a high profile," said Mr Gordon Pell, Head of Personal Banking at Lloyds Bank. "I assume that he was speaking about companies which buy and sell lists of names and addresses. In our case, mailshots are to our own customers and have to be approved in advance by the local branch manager."

Mr Major said in his speech: "I believe the financial institutions would be wise to reconsider their policy and I hope that this subject will be covered in the Code of Practice the banks and building societies are currently preparing following the Jack Report."

Lloyds and the other large banks say that they will have no difficulties in complying with a voluntary code of practice they are helping draw up as a result of last year's Jack Committee Report on Bank customer relations, to which the Chancellor referred.

The Jack Report suggests that banks should exercise restraint in the use of direct marketing and the banks say that they find no difficulty in meeting this proposal.

It also said that the banks should not release details of their customers to their non-banking subsidiaries. This is an important restriction because almost all the large UK banks are in the final stages of setting up computer systems which will give them the ability to correlate and store in a central list all the information they have about each customer.

This will make it much easier for a life assurance or pensions subsidiary to identify likely new customers. Barclays Bank is currently writing to ask the consent of each customer for inclusion in its centralised customer lists. It promises that information will not be passed outside the group.

Though the banks believe they have not overstepped acceptable limits, to outsiders Mr Major's remarks seemed to be the latest in a series of hostile gestures from the Government towards the banks which began early in 1988 when Mrs Thatcher reportedly cut up her credit card in protest at having her credit limit raised without her permission.

David Barchard

MR MAJOR announced a restriction on the amount of corporation tax relief which banks and other companies can obtain in future on provisions against sovereign debts, writes Tony Allen.

Mr Major confirmed that banks will be able to claim relief according to the guidelines published in February by the Bank of England. The guidelines provide criteria for calculating risk of non-repayment on sovereign debts.

The Inland Revenue said it would issue its own similar criteria to explain how the tax relief will be made available.

Criteria will be established and scores prescribed for each criterion which will convert into maximum percentages of debt which will be allowable for tax relief.

For accounts which ended yesterday and from now on, relief will be available on the lowest of:

- the provision made in the accounts;
- the amount determined according to the formula in the regulations for that year;
- for accounts up to March 19 1991, the amount determined by the formula at the last accounting date before March 20 1990;
- for accounts ended after that date, 5 per cent of the amount determined by that formula.

The relief will be calculated on each sovereign loan separately. Where the amount of relief previously given is in excess of the formula, the excess will be added to the bank's taxable profits.

TRAINING

Tecs gain tax relief incentive

NEW TAX relief on cash donations by companies to the employer-led Training and Enterprise Councils highlights the Government's goal of pump-priming more funds from the private sector.

The scheme, to run for five years from April 1, is a welcome surprise for Britain's 66 new Tecs which take over from the Training Agency later this year.

Mr David Cragg, chief executive of Birmingham Tec, said: "Anything that gives us an additional bit of armoury, be it in terms of finance or support, is to be welcomed."

In the next few weeks Tecs will negotiate their business and corporate plans with their main funding source, the Department of Employment. Tecs' potential for raising funds from local private sources is understood to part of the discussions.

However, the Department of Employment, said: "The relief is a measure of positive encouragement, rather than recognition of any problem. We are looking at ways of getting the ball rolling."

Tecs budgets will be sub-divided into components including Youth Training, Employment Training, Business and Enterprise and a Local Initiative Fund. The tax relief is one of three sources of funding for the Local Initiative Fund.

Funds from local business will be matched pound-for-pound by the Government, up to £125,000, until April 1995. The other funding will be that currently provided for, to run programmes such as small business counselling and a flat amount of £1 per head of working population, subject to a minimum of £100,000 and maximum £500,000.

However, Mr Tony Blair, the Opposition spokesman on employment, said the relief was a "drop in the ocean" compared with the Government's planned £350m cutbacks over the next few years.

Lisa Wood

NORTH SEA OIL INDUSTRY

Cautious welcome for tax change

THE oil industry welcomed the Government's move to re-adjust the tax regime governing abandonment of North Sea platforms at the end of oil production, but expressed disappointment at the details of the proposals.

"The measures that are proposed do not go far enough," said the UK Offshore Operators' Association, which represents the oil companies.

Although many years will pass before most North Sea fields must be abandoned, oil companies have been pressing for the government to clarify the tax position so they can make necessary provisions.

The Government's proposals call for a 100 per cent allowance against corporation tax on the cost of closing down offshore fields, which is expected to be enormous. This compares to previous rules which allowed 25 per cent a year to be written down following abandonment. However the losses are incurred at a time when oil fields do not produce, and therefore do not earn profit.

The losses attributable to the allowance under the proposed rules could be carried back three years, compared to the current one year allowed. The industry argues, however, that three years is not enough. This is because output of a field declines in its final years of production and the revenue from oil and gas sales may be insufficient to cover the cost of abandonment.

Therefore oil companies may have an incentive to bring the closure of fields forward in order to dismantle platforms while production remains at a robust level, resulting in less oil eventually being recovered from the North Sea.

The oil companies were also disappointed with the proposed cap placed on petroleum revenue tax repayments to cover losses that are carried back. Interest on the tax repayment plus the repayment itself are not to exceed 85 per cent of the loss which is carried back. The industry objects that interest on tax overpayments should not be capped.

The oil companies also expressed disappointment that the Government's proposals did not include provisions which would allow for immediate tax relief for funds placed aside in advance to fund abandonment cost. Some oil companies have expressed concern that smaller partners in fields may not have sufficient financial strength to pay for their abandonment obligations, since cash flow would have ceased.

Finally the government has proposed restrictions on capital losses arising from North Sea asset sales. Companies selling unquoted shares which derive their value from North Sea assets may no longer elect to rebase their value to the 1982 market value, as introduced last year for capital gains tax purposes, but must instead use a capital gains tax indexation allowance based on acquisition cost.

The proposal reflects Government concern over the extremely high oil prices in 1982 which pushed up asset values, many of which may have subsequently fallen. The Government argues that if tax calculations are based on 1982 market values, companies may be allowed to claim a tax loss where no actual loss was incurred.

Ukooa said it objected to singling out the oil industry for special treatment.

Steven Butler

SMALL BUSINESS

Soothing a hard-to-please lobby

Britain's notoriously hard-to-please small business community appears to have won a better deal from the Chancellor than they had received from his predecessor in recent years.

The range of measures announced – including VAT, corporation tax and the Business Expansion Scheme – was more extensive than in any recent budget though it still failed to meet a number of the small business organisations' more far- reaching demands.

A complaint of two of the largest of the small business lobby groups was that the changes would help the better- established small company but would leave the majority of Britain's small firms and self-employed businessmen unaffected.

"The Chancellor has missed a major opportunity," commented Mr Stan Mendham, chief executive of the Forum of Private Business, which has 17,000 members. "The VAT and corporation tax changes are well-intentioned but are aimed at the medium-sized business employing 100 people and with turnover of £2m or more."

Small business lobby groups were also critical of what they saw as the Chancellor's failure to take account of present high rates of interest which weigh particularly heavily on small firms because they are so dependent on borrowings.

The Union of Independent Companies, which represents manufacturing companies, said it was disappointed that nothing had been done to soften the blow of high interest rates. The National Federation of Self Employed and Small Businesses, which has nearly 50,000 members, said the concessions made by the Chancellor were more than wiped out by the £200m increase in interest charges now being paid by small firms as a result of the increase in base rate from 13 to 15 per cent.

Other business organisations were more favourably disposed to the Chancellor's measures however. "None of the changes are going to involve huge sums of money but given the fact we knew it was going to be a cautious budget anyway we welcome what the Chancellor has done," said Mr Andy Scott, deputy director of the CBI's small business unit.

The Association of Independent Businesses, with 20,000 members, described the budget as "a very good job in most difficult circumstances."

There was a warm welcome for the changes which have been made in the administration of VAT. The complexity of VAT rules and the toughness of the penalties for any failure to comply have long been a source of considerable concern to the small business community.

In particular, small firms have long been irked by the fact that they sometimes paid VAT even if their customers failed to settle their bills. The fact that they will now be able to claim relief on any two year old debts which they have written off on their own books was widely welcomed.

The decision to allow companies to base decisions on whether to register for VAT on past rather than on projected turnover was also welcomed. Start-up companies in particular have had great difficulty in estimating likely future turnover.

The raising of the ceiling below which small businesses pay a lower rate of corporation tax will save companies making profits of up to £1m about £6,250 a year, the UIC calculated. "This is a relatively small amount but is a further piece of encouragement," said Mr Baldwin.

The increase in the amount which trading companies can raise under the Business Expansion Scheme to £750,000 was welcomed as setting a more realistic limit on BES fund-raising. The reduction in the limit to just £500,000 in 1988 had made BES unattractive to many companies.

This tax relief is particularly welcome at a time when the government is winding down the amount of direct support for the country's 300 enterprise agencies, said Mr David Grayson, a director of Business in the Community, the agencies' umbrella organisation. Support for the agencies is increasingly coming from small companies which will find the tax relief particularly welcome, he noted.

The decision to allow roll-over capital gains tax relief to the owners of businesses which offer shares to their employees by means of an Employee Share Ownership Plan (ESOP) also won praise. This will allow the smoother transfer of power of family-owned companies and help keep them independent, the UIC noted.

Charles Batchelor

UK NEWS

New high tide for building material imports to UK

Andrew Taylor on the soaring trade gap caused by increasing output in the construction industry

A CARGOSHIP laden with 25,000 tonnes of Swedish cement makes its way up the Bristol Channel heading towards one of two silos at Avonmouth owned by Castle, Britain's second largest cement manufacturer.

The cargo, from Slite in northern Sweden, is required because British cement manufacturers do not have the capacity to satisfy the demands of the country's construction industry which has increased output each year since 1981.

Britain's trade deficit in building materials soared over that time, from just under £400m in 1981 to £2.85bn last year. The building materials deficit rose by a tenth during 1989, to account for just over 12 per cent of Britain's total visible trade deficit of £23.1bn.

Government ministers have criticised building material producers for failing to invest in expanded capacity in time to meet increased demand from the UK construction industry.

Producers say that in most cases imports have simply risen in line with increases in UK construction output. Imports as a proportion of total building material sales have remained relatively modest, ranging from just over 22 per cent in 1978 to just over 25 per cent in 1988.

The trade gap in building materials is expected to narrow this year – UK construction output is forecast to decline as high interest rates discourage private investment in residential and commercial property.

The rise in the building materials trade deficit during the 1980s has been exacerbated by:

- The speed at which construction output has risen. UK producers were unable to increase output quickly enough to cope with a rise in construction output of just under a sixth during 1987 and 1988.
- The sluggish performance of construction industries in northern Europe, which meant that some manufacturers had spare capacity just when British producers were struggling to keep pace with a sustained period of high growth in demand. Output in West Germany, in particular, stagnated during the mid-1980s.
- The planning and development process in Britain, whereby it can take up to seven years from investment decision to development for a large cement works, according to Mr Ian McKenzie, deputy chief executive of Blue Circle, Britain's biggest cement producer. Over such a period construction output can decline. Brick companies, which have invested £150m in improved capacity over the last three years, have recently been laying off workers and closing marginal plants because sales to the British housebuilding industry have fallen steeply.
- The need to purchase raw materials that Britain does not possess or produces only in relatively small quantities, such as timber, aluminium and copper. Such materials have generated a large part of Britain's building materials trade deficit. The deficit on raw timber alone has topped £1bn a year – substantially more if manufactured products such as wooden doors are included.

Down at the docks: a new high in imports

There is little that industry can do to replace imported raw materials, although the availability of some soft woods has improved with increased investment in forestry.

More worrying has been the sharp rise in imports of manufactured goods. Last year, the trade deficit on air-conditioning equipment more than doubled to £71.37m – in 1984 there was a trade surplus of £3.49m.

The deficit on builders' ironmongery, which includes items such as door knockers and hinges, rose from £55.82m in 1984 to £182.38m last year. The deficit on decorative tiles rose from £40.3m to £114.41m over the same period.

H.&R. Johnson, Britain's biggest ceramic tile manufacturer blamed cut-price competition from Spanish and Italian manufacturers for its decision, last autumn, to make 325 of its 2,300 workers redundant.

The upsurge in office development in central London has attracted Belgian steel fabricators, German and Swiss lift manufacturers, French steel-piling specialists and Japanese, Scandinavian and North American developers.

The British lift industry has also bowed to foreign domination – four of the five largest lift companies operating in the UK are foreign-owned.

Britain's trade balance on lifts has moved from a surplus of £5m in 1976 to a deficit of £22m in 1988.

However, international trade in building materials has not been a one-way street. British brick manufacturers have been exporting small quantities of bricks. Steetley, Britain's third largest brick manufacturer, exports to Japan and has just commissioned a large plant in Kent, which it says will be able to export bricks through the Channel tunnel.

The pressure to import building materials should ease as the pace of growth in UK construction activity declines and new manufacturing capacity comes on stream.

Producers of manufactured goods which have lost market share to imports face a longer haul if they are to regain lost ground. Like much of Britain's engineering sector they must compete on design, reliability, delivery and price. It remains a tough battle.

New high for Heathrow traffic

By Paul Abrahams

HEATHROW airport recorded its highest ever number of aircraft take-off and landings last week, the Civil Aviation Authority (CAA) announced yesterday.

The airport, which is the busiest in the world, handled 1,162 movements last Friday. This beat the previous record set in August last year.

Mr Christopher Tugendhat, chairman of the CAA, warned yesterday that movement rates are now so sustained that no month can be regarded as quiet.

CAA forecasts suggest that the number of passengers using the three London airports could, in 2005, reach 100m, double the figure in 1987, he said.

Mr Tugendhat warned that additional capacity in the air and on the ground would be needed to deal with this growth.

In the meantime, British Airports Authority (BAA), the owner of Heathrow, announced this week that it was raising its charges to airlines at the airport by an average 9.9 per cent, in an attempt to maximise the capacity of the airport at peak times.

Peak landing fees are being increased by 14.5 per cent.

This means that it will cost about £4,800 for an arrival and departure of a Boeing 747 at peak times.

Chemical explosion causes widespread damage

Firefighters called to blaze at Shell oil refinery complex

By Ian Hamilton Fazey, Northern Correspondent

MORE THAN 200 firefighters from three brigades yesterday prevented a blaze from spreading throughout Shell's oil refinery and chemicals complex at Stanlow, Ellesmere Port, Cheshire.

Six workers were injured in the fire, two of them seriously. It caused large-scale destruction, the cost of which was not known last night.

The blaze followed an explosion at about 3.20 am in a plant making intermediate products for speciality chemicals.

Eight fire tenders, five of them belonging to Shell, failed to contain the fire, which spread after an hour to Stanlow's xylene bulk storage tanks.

Blazing xylene, a highly inflammable liquid derived from benzene, started spreading to other parts of the complex, which is the largest in the UK.

Another 20 appliances from Merseyside, Cheshire and North Wales were called in.

Shell said it believed that any possible pollutants had been contained within the refinery boundaries. Police said no evacuation of nearby communities was needed and no roads were closed.

Some chlorofluoroaniline vapour, a potentially explosive gas, was released into the air, but the company said it had dispersed safely.

One of the seriously injured workers was transferred to a specialist burns unit at Whiston hospital, St Helens. The other was said to be "fair" in a Chester hospital. The four others went home after treatment for inhaling smoke.

Shell said oil refining had not been affected. "At this stage we have no idea what caused the explosion, but a full investigation is under way."

The fire is the second serious incident associated with Stanlow in seven months. Last August a pipeline fractured while carrying crude oil along the foreshore from Birkenhead to the complex. Shell pleaded guilty to polluting the Mersey and was last month fined £1m.

Shell's North Sea oil production installations were also affected last year by a series of accidents and equipment failures that badly restricted production.

- SHELL UK yesterday forecast another difficult year for North Sea oil production owing to a large programme of offshore platform refurbishment and installation of safety equipment.

Shell said its 1989 UK production fell by 29 per cent to 245,000 barrels a day, compared to 1988, and that production this year was expected to be only marginally better. Shell and its joint venture partner Esso account for about one quarter of UK production.

FT LAW REPORTS

Record company cannot apply penalty clause against invoices

ARISTON SRL v CHARLY RECORDS LTD
Court of Appeal (Lord Justice Mustill, Lord Justice Beldam and Lord Justice Leggatt): March 13 1990

SUMS AGREED between parties to a contract, to be payable in the event of specified breaches, cannot be a genuine pre-estimate of damage if they are to apply equally to serious and minor breaches. They are therefore not liquidated damages but a penalty which is unenforceable for the purpose of the whole contract, including in respect of those breaches to which they are proportionate.

The Court of Appeal so held when dismissing an appeal by the defendant, Charly Records Ltd, from a decision by Judge Hayman on a preliminary issue that a clause in a contract between Charly and the plaintiff, Ariston SRL, was a penalty clause and therefore unenforceable.

LORD JUSTICE BELDAM said that Charly specialised in producing and marketing re-issues of quality popular records of jazz, blues and rock music.

It bought the rights of records released under other labels and re-issued them under its own.

For that purpose it acquired master tapes of the performance and the metal parts and lacquers used for pressing out the records. It also obtained the negatives, films, artwork and labels necessary to produce record sleeves and protective inner envelopes.

It did not have the facilities to manufacture the records but contracted with specialist record-making companies which did.

Ariston was an Italian company in Milan which produced record pressings. On July 1 1982 Ariston and Charly entered into an agreement under which Ariston undertook to manufacture long playing records and to print colour sleeves and plastic coated and printed inlay bags.

Charly was to entrust Ariston with the necessary metal parts, lacquers, negatives, artworks and label information. All those items were essential to the production of record pressings and of considerable value to Charly.

Accordingly, by clause 7 of the agreement, Ariston undertook to return all the items within 10 working days of Charly's request. The clause provided that "a penalty of £600 per day will be paid by Ariston for late delivery."

In 1985 Charly transferred its production order from Ariston to another company. Just under £14,000 was outstanding on invoices for records supplied by Ariston.

On February 13 Charly gave notice to Ariston to return the metal parts, lacquers etc. About half the items were collected on March 18 and, according to Ariston, all were returned by March 28.

On January 3 1986 Ariston issued a writ claiming £13,938 outstanding on invoices. Charly admitted the sum was due but contended it was entitled to set it off and extinguish it against £19,800 counterclaimed for Ariston's alleged failure to return parts, negatives, artwork and so on within 10 days of demand.

Relying on clause 7 of the agreement, Charly counterclaimed £600 for each of the 33 days during which Ariston had allegedly detained some or all of the parts.

Ariston contended that clause 7 was unenforceable because it amounted to a penalty clause. Charly contended £600 per day was a genuine pre-estimate of the damage it would be likely to suffer should the items not be returned, and was therefore recoverable as liquidated damages.

On the evidence Judge Hayman found that clause 7 was a penalty clause and was therefore unenforceable.

He held that £600 was far removed from a pre-estimate of damage. He found that the prime reason for clause 7 was that Charly wanted its parts back quickly and that its overwhelming purpose was to try to persuade or compel Ariston to return them within the stipulated period.

The judge concluded that because the clause provided £600 was payable if any items were, and the same sum would be payable if a single item or every item or something in between was detained, the clause would apply though few items were retained, causing no damage to Charly. For that reason he said the clause was to be construed as a penalty.

In *Clydebank Engineering [1905] AC 6* Lord Halsbury emphasised that the court must construe such a clause according to the real nature of the transaction and that the mere use of "penalty" or "damage" would not be conclusive as to the parties' rights.

He said it was an established principle that parties might agree that a particular sum should be payable in damages for breach because sometimes the nature of the damage was such that proof of it was extremely difficult and expensive.

In the same case Lord Davey said if a sum payable for breach of a particular stipulation was proportioned to the amount of non-performance, "for instance if you find that it is so much per acre for ground which has been spoilt by mining operations," then it was inferred that *prima facie* the parties intended the amount to be liquidated damages and not a penalty.

Charly argued that the parts did not all have the same value and that it was exceptionally difficult to make a genuine pre-estimate of damage. It had fixed on a figure which would represent an average of the daily loss likely to be suffered. It argued that in the circumstances of the case, that was a reasonable way of approaching an assessment of damage.

Attractive though the argument was, it was wrong. The judge's conclusion was correct.

In *Wallis v Smith (1882) 21 Ch D 243* the relevant clause provided that if the defendant were to commit a "substantial breach" of the contract, he should pay £5,000. It was held that the inclusion of "substantial breach" meant that trifling breaches were excluded and the clause could therefore be construed as providing for liquidated damages.

In *Lord Elphinstone v Monkland (1886) 11 App Cas 332,342* Lord Watson said "when a single lump sum is made payable by way of compensation on the occurrence of one or more or all of several events, some of which may occasion serious and others but trifling damages, the presumption is that the parties intended the sum to be penal."

Clause 7 was therefore construed in the light of the principle that the sum payable for the breaches should be proportionate to the extent of the breach.

It was accepted that it was not unreasonable to take an overall figure of £600 as a suitable basis for a genuine pre-estimate of damage should Ariston fail to return all or a substantial part of the items. But the same sum was also payable if it failed to return even a few comparatively unimportant items.

In that event the sum would clearly be out of proportion to any loss and, as such, would have been a penalty.

It would not have been difficult to have made it proportionate to what was detained, by providing for a sum to be paid per item for each day on which it was detained. While that would not necessarily reflect in every case the loss caused by failure to return the particular item, it would produce a result which could reasonably be said to be proportionate to the loss likely to be suffered.

The remaining question was whether, even for breaches for which the £600 could properly be regarded as a genuine pre-estimate of damage, the court should regard the clause as unenforceable because for others it amounted to a penalty.

In *Dunlop [1915] AC 79,102* Lord Parmoor said that if the agreed sum applied equally to stipulations of varying importance and was a penalty in respect of any of them, it was a penalty for the purpose of the whole contract, "since it could not in the same contract be construed both as a penalty and as liquidated damages."

Accordingly, clause 7 provided for payment of a penalty and was unenforceable. It lacked any adequate provision which enabled the sum payable to be proportionate to the extent of Ariston's failure to return specific items.

The appeal was dismissed.

Lord Justice Leggatt and Lord Justice Mustill agreed.

For Charly: Hugo Page (Canaar Holmes).
For Ariston: Roger Smith (Lee & Thompson).

Rachel Davies
Barrister

The tale of two Paris theatres

The revival in the fortunes of opera in Paris – three different theatres now in action – has brought about some piquant contrasts. Not all of them are entirely flattering to the new Bastille theatre (on whose opening performance I reported on Monday). The wide-ranging programme of staged and concert opera at the Châtelet, collectively titled the Théâtre Musical de Paris, continues in full swing. And, perhaps the best news of all, the Opéra-Comique, with a new administration formed as a subsidiary of the Bastille, has come back to life, after a painfully long period of semi-dormancy, with a marvellous programme of "small-house" and unfamiliar pieces.

The day after the Bastille *Trojans*, it was particularly instructive to attend a performance of the *Idomeneo* revival currently under way at the Opéra-Comique. The production itself (by the Moroccan theatre director Simone Amoyal) need not detain us long – it is, in a good way, spare, and, in a silly way, laden with irrelevant detail, mostly supplied by mute figurants. The singing (David Rendall in the title role excepted) was competent rather than remarkable, the playing of the young Orchestre d'Auvergne under Jean-Jacques Kantorow musicianly and well-ventilated, but seldom quickened by dramatic urgency.

And yet the visit brought with it some pointed reminders about the nature of "live" opera, and the crucial importance to the spectator of experiencing direct physical contact with the music. Bellini believed that the purpose of operatic drama was to "make people weep, shudder, die through the singing." What makes the Opéra-Comique such a marvellous home for smaller-scale opera is not the gold-encrusted decoration or the frescoes and friezes (delightful though that may be) but the warmth of the acoustics and the intimacy of contact between audience, pit and stage.

This is not a simple matter of theatre size: large theatres like the New York Metropolitan, with its excellently well-balanced acoustics, prove the point. In the Salle Favart the theatrical conditions for "weeping, shuddering, dying" were there – one *felt* Mozart's music, and the voices and instruments that were its vessels of communication. They didn't seem to be coming from the far distance, or through the wrong end of a telescope. The acoustics of the new Bastille theatre are the subject of some controversy, calculated and adjusted by the latest computer technology, pronounced "perfect" by Pierre Boulez (among others) – and to my ears, from a seat quite far back in the stalls, fallible in these most important respects.

Acoustics is something of a mystery, a miracle rather than a science, and so any pronouncements upon the Bastille's (on the evidence of three encounters in three different seat-positions, last July and now last Saturday) should be hedged with caution. Nevertheless, it seems to me that since the Bastille administration intends to play popular opera of every sort and size in the Grande Salle – which, after all, Mozart and *Don Giovanni* (rather than Berlioz and *Les Troyens*) were originally intended to launch – the acoustical question needs to be faced and answered, more urgently than ever.

The teething troubles witnessed in the Grande Salle last Saturday – the bit of scenery lifted to the flies that crashed and nearly fell, the curtain that failed to rise – will surely all be cured in time. Even the computer-based stage machinery, thus far quite unworkable (most of Pier Luigi Pizzi's Berlioz production had to be based on old-fashioned trollying), will no doubt eventually be mastered. In the foyer areas the lights will be fixed in the toilets (grossly inadequate in number and size), and sooner or later all of the audience lifts (obviously far too few in number) will be in operation.

But in current acoustical condition, and with all the good will in the world, I find it impossible to imagine a feasible programme of operas for this auditorium other than those of *Trojans* size. *Nous verrons.*

Max Loppert

Anup Kumar Biswas

PURCELL ROOM

The young Indian composer, conductor and – his main claim to fame – cellist, Anup Kumar Biswas, programmed three of the great cello sonatas for his Purcell Room recital with pianist Nigel Clayton on Monday, then threw in an extra item on the night. Since I last heard him in this hall (more than seven years ago) Biswas has definitely gained in musical stature. Bright-eyed as before, he plays with the same enthusiasm but greater acuity. His is a markedly *appassionato* manner; he is generous with vibrato and *portamenti* to a fault, and showed himself much more at home with the sonatas by Brahms (the E minor, Op. 38) and Rakhmaninov (G minor, Op. 19) than with that by Beethoven (A major, Op. 69).

To a considerable extent he has overcome the intonation problems which beset him formerly, though the initial movements of both the Brahms and the Beethoven works suffered in this respect. Nevertheless, the opening phrases of the Brahms were memorable for the expressively dusky tone he imparted to them, while there was an impressive stabbing climax later. The Allegretto was thoroughly attractive, even seemingly dainty, and afforded some interesting pre-echoes of the "Pierrot" middle movement of the Debussy cello sonata. The fugal finale was executed with power.

Nigel Clayton's accompaniments were beautifully gauged, here and throughout the programme. His playing combined an enviably limpid touch with a virtuoso flair. He was more comfortable with Beethoven's idiom than seemed the cellist, who tended to force expressivity on the music rather than discover its true lyricism. The opening movement of the big Rakhmaninov sonata found him at greater ease; whilst in Bruch's *Kol Nidre*, included as a memorial tribute to a friend, he had genuine opportunities for heartfelt extravagance of phrasing.

Paul Driver

TELEVISION

The old green sofa goes high-tech

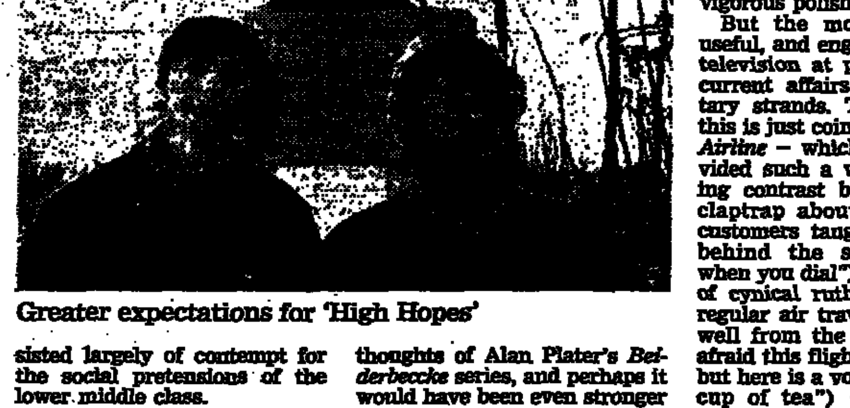
Sod's Law ensures that, whatever a television critic's family wants to watch, he ought to be watching something else and so, as the family expands, the critic tends to acquire more and more sets. In the Dunkley residence (a narrow Victorian building on four floors) there are four colour sets and a spare black-and-white portable. Yet despite such easy availability a fortnight's holiday in the house proves that, left to my own devices, my viewing promptly contracts to *Newsnight*, *Bilko* (assuming BBC2 Controller Alan Yentob is in one of his pro *Bilko* moods and honouring his predecessor's pledge to screen the entire series) and movies. And now Sky has deprived its small band of viewers of the movie channel which was the chief inducement to install the system. In future, we are told, we shall need a de-scrambler and a credit card before we can watch the films.

Driving the domestic television outfit is becoming quite a skill. The equipment in our sitting room (TV set, two video recorders, and the Astra decoder) already involves four sets of remote controls. One member of the family – no names, no pack drill, but she is the mother of my children – has still not mastered the art of setting the newest VCR for delayed recording. We have had it five years. The once simple business of sitting on the old green sofa watching the telly is turning into a high-tech skill not unlike the navigation of the starship Enterprise, and although this is seen as a joke it is, I suspect, a factor which may lead to less viewing. The more choices you provide, the more complicated you make the business of viewing, and the less some people will watch.

Now it seems we will have to add to the system not only a Sky de-scrambler and smart card if we want to go on watching their films, but, assuming we want to sample the joys of BSB, another decoder and a fifth remote control. Furthermore, we shall have to break the law since it is illegal to have more than one satellite dish mounted on the premises. Presumably the Government, which seems besotted with satellite television, will pretty soon change that law. Meanwhile, as the Victorian floor-boards creak under the growing weight of electronic equipment, what about the programmes?

Drama seems to be idling on a plateau. The first thing I watched on holiday was described as a "Film On Four" yet in the event it looked, stylistically, like a typical sixties television drama. Called *High Hopes* it was written and directed by Mike Leigh and offered a deeply dispiriting view of the life of a number of Londoners, working class and yuppy. If people are going to make "films" such as this, perhaps Channel 4 could announce: "The following programme is not intended to be entertaining. The producer will be wrapping up a number of ropy old political attitudes as drama and wagging his finger at you a lot." At least we would know where we stood.

It is a pity because there was a time, back in the bloom of his youth (while socialism was still a credible ideal) when Leigh made highly entertaining programmes. *Nuts In May* and *Abigail's Party* had plenty to say about the state of Britain, but they conveyed it with humour. *High Hopes* was one long whinge, relieved by only the rarest moments of comedy, and even these consisted largely of contempt for the social pretensions of the lower middle class.



Greater expectations for 'High Hopes'

You could hardly find a greater contrast than *Reach For The Sky*, the 1956 film, shown again the weekend before last by ITV, in which Kenneth More played flying ace Douglas Bader. No doubt the Leighs of this world would find it desperately old fashioned and jingoistic, almost beyond parody in the sentimentality of its love interest, the *Boys Own Paper* style of its action sequences, and the stiffness of its upper lip. (The recent auction of Bader's diaries proved that his upper lip was, indeed, incredibly stiff. His comment on the crash which led to the loss of both legs was "Bad show.")

But while all that is undeniable the film also benefits from many of the qualities which have been pleasing audiences since at least the days of Greek classical drama: heroism, narrative drive, vivid activity, excitement – all of which seem to be considered unutterably gauche by the pastel water-colourists of contemporary television drama. The same day which brought *Reach For The Sky* also brought *Circles Of Deceit* from BBC2's "Screen Two," a slow fashionable look at a slice of middle class life in London: all angst, stripped pine, and answer-phone messages. You longed for a Spitfire to come barrel rolling out of the sky.

Comedy is healthier. ITV's *El C.I.D.* has, unfortunately, already ended, but it has surely earned the right to a further series. In its prime 9 o'clock slot it faced admittedly mild competition from the news on BBC1, repeats of *Pennies From Heaven* on BBC2, and current affairs on C4, but it did consistently pull in an audience of 10.5m for its stories of retired Scotland Yard detectives on the Costa del Sol. Its mixture of crime and comedy occasionally prompted thoughts of Alan Plater's *Beiderbecke* series, and perhaps it would have been even stronger if, like those, it had had just one writer instead of half a dozen. Yet it was quite impressive enough to be considered as a legitimate part of the Ealing tradition.

C4's *Nightingales* is a less certain proposition. There are some nice ideas in this sitcom about night security staff, especially the more bizarre – the student temp who turned into a werewolf in the loo in the opening episode was a touch worthy of *Soap*, – but there are also worrying inconsistencies. For instance, David Threlfall's character, Bell, has been developed as a prize thickie, yet when it suits writer Paul Makin to do so he allows Bell to take off into flights of wholly uncharacteristic intellectual fancy. Still, it wins bushels of brownie points for simply not being about some tense suburban domestic set up.

As for *French And Saunders* and *Fry And Laurie*, now appearing in the 9 o'clock BBC2 slot on Thursdays and Fridays respectively, they certainly make a change from Cannon and Ball, Little and Large, and all the other comedians whose acts would look so familiar to a World War Two audience. But they would do well to pay close attention to their fellow Comic Strip alumnus Ben Elton whose *Man From Auntie* series on BBC1 is showing what hard work and ruthless editing can do. Having modified the more sanctimonious aspects of those fashionable social attitudes which gave an unpleasantly oily feel to his early work on London Weekend, Elton is proving to be the most original – and simply the best – stand up comedian to emerge for more than a decade.

French, Saunders, Fry and Laurie are certainly funny enough at their best, but they (and more culpably their producers) are too willing for them to operate below their best. About half the sketches in both opening episodes were limp, over long, and indulgent. They needed fierce editing and vigorous polishing.

But the most impressive, useful, and engrossing parts of television at present are the current affairs and documentary strands. To some extent this is just coincidence. BBC2's *Airline* – which this week provided such a wickedly revealing contrast between the PR claptrap about dealing with customers taught to the staff behind the scenes ("Smile when you dial") and the reality of cynical ruthlessness which regular air travellers know so well from the check-in ("I'm afraid this flight is overbooked but here is a voucher for a free cup of tea") – might have cropped up in the schedules any time in the past few years.

That is atypical of the fascinating programmes now coming from television in the non-fiction area, however, most of which are connected somehow with the apocalyptic events of eastern Europe. They range from *Panorama's* coverage of German reunification to BBC Scotland's excellent account of Ashkenazy's return to his homeland for the first time in 26 years: *Born In The USSR.* Among the very best (judging from last week's opening episode, and before seeing No. 2 last night) are Jonathan Lewis's three programmes on *Stalin* which are using amazing archive footage made available by glasnost. But to these, and the whole subject of eastern European renewal, we must return in a future column.

Christopher Dunkley

Alastair Muir

Bryan Pringle

Forget-Me-Not Lane

GREENWICH THEATRE

Peter Nichols' 1971 play of pain and nostalgia – adolescent agony and incongruous comedy, the familiar familial mixture of reproach and regret, affection and affliction – returns to the theatre that gave it life and where, the author assures us in a programme note, it seemed to belong perfectly.

Mr Nichols has voiced harsh strictures about directors in the past; he assumes their mantle for the present revival. Just as poets often read their own works badly, some playwrights are not always best qualified to put their dramas on stage. There are signs that his tender probing of family relationships – pride, exasperation, fury, embarrassment, and finally acceptance – is as expert as ever, the scalpel wielded with painfully achieved understanding, finally admitted love; but the performance is unfocussed, lumpish in texture and desperately lacking the light touch.

When Bryan Pringle (uncannily resembling Nichols Senior pictured in the programme) concentrates less on getting his lines out correctly, his portrayal of the protagonist's father may ripen into the richly comic and monstrous – and pathetic – creation the writing suggests. At the moment he booms out the part in a monotone, heavily over-emphatic, a family failing fleetingly glimpsed in his stage son. Philip Jackson, too, is uneasy with the glancing humour of irony and ruefulness.

The present is still 1970, the nostalgically remembered past unfolds in wartime. Narrator Frank, the autobiographical sketch of Nichols that we have come to expect from many of his works, looks back at his shy pubescence overshadowed by the jovially tyrannical father, a travelling rep for the Co-Op; his houseproud mother; and the sundry fantasies that enlivened his sexual awakening. He sometimes shares the recollections with his wife, and we see both of them as youngsters – she, in one notable scene taking the sexual initiative as a forward schoolgirl while he remains as terrified as a rabbit before a snake.

Patrick Hughes' set is provided with five doors, of varied styles to imply changing lifestyle, in five different patches of wallpaper. The doors swivel to become part of the wall or reveal a stylised dolls' house window with painted blue sky. This is wartime Bristol, with its concert parties and sirens, newly discovered jazz and shockingly glamorous American presence.

Lynn Farleigh, a native, and Matthew Lloyd Davies, Bristol-trained, get the accent just right, she as the reproachful mother, he excellent as the younger version of Frank. The wife as schoolgirl is finely drawn by Catrin Menna; oddly the characters' older selves seem uncertain. The play itself turns from wistful celebration of times past to strenuous family drama too late in its development to avoid seeming unbalanced. When the actors relax more the comic equilibrium may be restored and all may fall into place.

Martin Hoyle

The Flood

UNICORN THEATRE

With the school holidays looming it is as well to remember the Unicorn Theatre for Children. Situated since 1967 in the Arts Theatre the company gives daytime performances of professional theatre for the age range of four to 12 years. Currently their intriguing offering is written well enough to warrant adult interest.

Charles Way was responsible for the highly successful stage adaptation of Bruce Chatwyn's *On the Black Hill*, and the same affinity with the poetic can be detected in *The Flood*. A squabbling middle-class family is hemmed in by urban values, hinted at in the stylised skyscraper backcloth of Paul Kondrash's set. Mother is haunted by dreams of cataclysm, connected with the ceaseless rain that threatens to provoke a state of international emergency. Father is too obsessed with his job to take her forebodings seriously; their bickering corrodes the children's happiness.

The mood of menace from impending disaster recalls the Australian film of dream-heralded catastrophe, Peter Weir's *The Last Wave*. The flood comes of course; and after escaping in the providential boat that mother had apparently crazily sunk the family savings in, the family survives a storm that destroys the boat. They come to an island where father and son enjoy the senseless slaughter of small animals, and which the father claims for their own territory. Human counsels prevail; and the play ends with the family holding out bowls of welcome to the audience as another group of survivors approaches.

The message of ecological responsibility is put over gently. The island stands for the world: it belongs to everybody and to nobody. The feminine strengths – intuition, feeling, emotional relationships – are contrasted with the father's obsession with his briefcase, symbol of the acquisitive values which drag us down. The children sort out their sibling rivalries, attributable to insecurity.

The story is told in flashback by the children themselves in their old age; they are touchingly played throughout by veterans Joanna Field and Ian Taylor, switching from enlightened recollection to schoolkid romping. Television's Peter Duncan (*Blue Peter, Duncan Dares*) has little to do as the father; but Julia North's mother would be welcome in any grownup theatre. Chris Wallis' direction is ingenious, especially at turning a breakfast table into a double bunk into a ship's deck and cabin into an island shelter, but fails to meet the challenge of some of the writing's wordiness for an audience of children. Until March 25 only.

Martin Hoyle

Can't Pay? Won't Pay!

LYRIC, HAMMERSMITH

The manic political farce of Dario Fo is light years from end-of-the-pier English comedy, a fact of which Alexander Bridge seems blithely unaware. His production of *Can't Pay? Won't Pay!* a classic from the mid-70s, emerges as a pantomime horse botched together with one principle in mind – if you can't ride it, flog it, if necessary to death.

One only has to look to Stratford East, where Patrick Prior's derivative but entertaining *Revolting Peasants* is currently pulling 'em in, to see that political humour is not beyond the wit of the English theatre or theatre-going audiences.

Fo's perspective on communism may be a little jaded at present – one could hardly imagine even a Milanese policeman pulling a Little Red Book from his pants – but the sense of social injustice that fires his work is as relevant today as it ever was, and it is the mad logic of that injustice pushed to the ultimate that activates the farce, endowing his housewives with shopping-bag pregnancies while their self-righteous husbands pretend to make ends meet.

Instead of riding the comedy, Bridge's actors appear intent on sending it up with the result that they patronise both the play and their audience. David Roper is the worst and broadest offender in a first act which is turned by adaptors Bill Colvill and Robert Walker into pure pantomime, complete with soup-making routine, knowing winks of complicity and even an "Oh no she wasn't" for good measure.

The women fare marginally better, with Teresa Hennessy's lumpish Margarita displaying a remarkable ability to lie flat as a board when lifted by her neck and ankles, while Patricia Brake – notably an EastEnder to her confederates' all points north – has the voice and delivery of an accomplished comedienne, only from a different type of comedy.

In lieu of the spiralling dementia of Fo's play, Bridges gives us a panoply of silly voices from Bruce James, as undertaker, father-in-law and sundry policemen, and a cupboard-opening scene, in which doors flap for no apparent reason other than to get everyone running around.

As so often in this entirely misconceived production, the logic is lost and with it the point of the play.

Claire Armitstead

ARTS GUIDE

March 16-22

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over from Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, easy-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. (839 5972)

New York

The Sound of Music (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s.

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's preeminent musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat rundown setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasizes the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film numbers will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Stardust (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25. (467 4600).

Chicago

'Tis Pity She's a Whore (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s and starring Lauren Tom as Annabella and Jesse Borrego as Giovanni. Ends April 7. (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. At the National Theatre Tenganjaya Mura is an action-packed low-life drama about a serving man who turns to drink and crime (265 7411). At Kabuki-za there are two mixed programmes at 11am and 4.30pm, starring mainly younger actors, including the famous Onnagata Tamasaburo. One oddity is a modern kabuki play written by Yukio Mishima, performed to mark the 20th anniversary of his death. Both theatres have excellent earphone guides in English as well as English-language programmes. (541 3131).

King Lear. The Renaissance Theatre Company, led by Kenneth Branagh, (with Richard Briers cast surprisingly in the title role) (Thurs) and A Midsummer Night's Dream (Wed). Tokyo Globe Theatre (360 1151).

The King and I. Stacy Keach steps into Yul Brynner's shoes in this first major revival of Rodgers and Hammerstein's popular musical since Brynner's death. Mary Beth Peil as Anna the governess. Tokyo Koseinenkin Hall (402 1212).

Sarafina. Hit musical from South Africa via Broadway, with a cast of highschool kids. Kan'i Hoken Hall, Gotanda. Ends March 19 (589 3066).

My Fair Lady. One of Japan's best singing actresses, Mao Daichi, stars in this revival (in Japanese) of Lerner and Loewe's much-loved musical. Nissei Theatre (201 7777).

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Major in a minor key

IN HIS first Budget as Chancellor of the Exchequer Mr John Major set himself the task of doing little well. He has succeeded. The Budget combines imaginative little touches with some sound decisions. Yet overall, Mr Major's small "c" conservativism is likely to prove risky. He has left himself, the Government and the country exposed to the ill economic winds that are now blowing. One such wind, that from Tokyo, blew strongly only yesterday morning.

There is nothing tough about this Budget. It appears to be neutral, with a £430m tax increase from an indexed base in 1990-91 and an increase of £955m in 1991-92. But it is not as neutral as it may seem. In setting £7bn as the public sector debt repayment for 1990-91, the same as the forecast outturn for 1989-90, the Chancellor is accepting as his starting point a significant, unanticipated and, as he himself admits, almost entirely non-cyclical fiscal loosening. The target for 1990-91 not only fails to take account of the shortfall this year, but is £3bn below that set last year.

The Chancellor has also tolerated yet another monetary overshoot. After considering various alternatives, he falls back once more on M0 (narrow money). Yet, for 1990-91 the target range is raised to 1 to 5 per cent, a percentage point higher than suggested a year ago. Nor is there any noticeable strengthening of the monetary policy framework. Broad money remains in the dog house and funding policy seems to have joined the rest of monetary policy in the kingdom of almost pure discretion.

Conditions unchanged

The exchange rate is seen as "a sensitive and timely indicator", though "it would be wrong to give undue weight to the minor short run fluctuations that are inevitable in any financial market." Entry into the exchange rate mechanism of the European Monetary System does not seem likely to change monetary policy any time soon. Although the Chancellor talks of "when we join", the conditions for entry remain unchanged. Meanwhile there is no target for the exchange rate, beyond a preference for a "strong pound" (whatever that may now mean). "Interest rates will stay high for some time to come. The moment I judge I can safely lower them, I will," says the Chancellor, but he does not discuss the conditions in which he will be under pressure to raise them.

Within this wrapping the Chancellor has inserted some pretty little presents. This, he says, is "a budget for savers." The proposed tax relief for savings accounts is welcome, as is the abolition of composite tax (even if delayed for a year, because of its complexity). Savings, in this case on a rather larger scale, will also be affected by the noticeably generous treatment of capital gains in independent taxation of husband and wife.

Fiscal tightening

Nevertheless, the changes on savings are most unlikely to have any marked macro-economic effect. If the Chancellor had wished to raise the overall rate of national savings the best policy would undoubtedly have been a far greater fiscal tightening.

The Chancellor did the right thing in raising excise duties and was correct to index almost all the thresholds. With his treatment of football, he has confirmed his status as a man of the people, while his proposed changes in the capital rules for social security and poll tax rebates are sensible and politically astute. He will have made friends in the City with the abolition of stamp duty on security transactions and enemies in the commercial banks with the restriction on their ability to write off bad third world debt. In addition, the new rules on large one-off gifts may make a major contribution to private giving to charities, though at sizeable revenue cost.

This does not look like the budget of a Government that seriously intends to lower underlying inflation before the next election. The Chancellor may claim that "this Budget will take no risks with inflation," but the people he has to convince are the foreign investors on whom the UK now depends. The Government is at the mercy of the markets. Mr Major has not made it any less vulnerable.

Tokyo feels the heat

YESTERDAY'S full point increase in the Bank of Japan's official discount rate has been so long in the making that the currency markets can hardly be blamed for failing to be impressed. The question is whether the continuing weakness of the yen and the collapse in bond and equity prices in Tokyo really matters – and to whom.

Since the official discount rate was last raised on December 25 the world's largest stock market has lost around a fifth of its value. Looked at from a purely domestic point of view that is uncomfortable for Japanese savers; and a political price no doubt has to be paid when the shares of the recently privatised telecommunications giant NTT fall below the issue price, as they did this week. Yet in most other respects the correction in Tokyo is thoroughly healthy.

Monetary policy in Japan has been loose for too long. That provides much of the explanation for Japan's land price inflation, which in turn has contributed to the stock market bubble through its effect on corporate asset values. The structure of Japanese financial markets is such that asset price inflation does not leak rapidly into increased consumption. But it does ultimately work through to goods markets via the exchange rate. The capital outflow from Japan now exceeds the current account surplus as Japanese savings chase the higher returns available in the rest of the world's markets. Hence the weakness of the yen, which makes for higher import prices.

Relaxed view

The case for taking a relaxed view of the correction in Tokyo is that it does not reflect weakness in the underlying economy, which continues to grow at an annual rate of around four per cent. And it may well be that the assertive new head of the Bank of Japan, Mr Yasushi Mieno, is over-estimating the domestic inflationary threat. The rest of the world, meantime, should take heart from the fact that Japanese asset prices are moving back towards reality. There is no need for non-Japanese equities to shift to a new and unrealistic basis of valuation in response to an overdue adjustment in Tokyo. There is every reason to welcome the elimination of the undue advantage enjoyed by Japanese companies in their cost of capital as a result of sky-high share prices.

That said, there is something worrying about the Japanese authorities' waning ability to stabilise markets which have been progressively liberalised. Mr Mieno's interest rate hikes have undermined asset prices without putting a firm prop under the yen. The result is a vicious circle whereby Japanese savers continue to desert their domestic market into appreciating foreign currency assets, so causing further yen weakness, which then creates a requirement for even higher interest rates. If bankruptcies result before returns on domestic and foreign asset prices equalise, the real economy will feel the backwash.

Wider shock

The more immediately worrying point for non-Japanese markets is that Tokyo's financial malaise is partly a reflection of a wider shock to the world economy which will cause a profound change in the global pattern of trade balances and capital flows. The world's second largest creditor country after Japan, West Germany, is already shifting resources into the development of East Germany at a time when its domestic economy is operating at close to full capacity. That implies a sharp reduction in the current account surplus as savings are redirected homeward.

The rise in bond yields across the world since the turn of the year reflects a capital shortage arising from this real shock. The impact has been felt particularly strongly in Japan simply because asset prices there were so obviously overblown. But others, including Britain, may yet feel the vibrations. In the longer run the emergence of eastern Europe as a low-cost source of supply in the world economy should prove to be a thoroughly benign development. But there is a painful transitional period to go through in which global interest rates will be rationing scarce capital. The financial heat is already on.

THE BUDGET: Analysis

Not really a tough Budget at all

By Samuel Brittan

Despite all the last-minute warnings, this was not a tough Budget. Nor should it have been. An overall Budget surplus in a year of economic slowdown is surely enough. Large discretionary changes in fiscal policy to influence demand are not only often mistimed. It is extremely doubtful if they influence demand in the way intended – unless they are so horrendous that they shatter all confidence in the future.

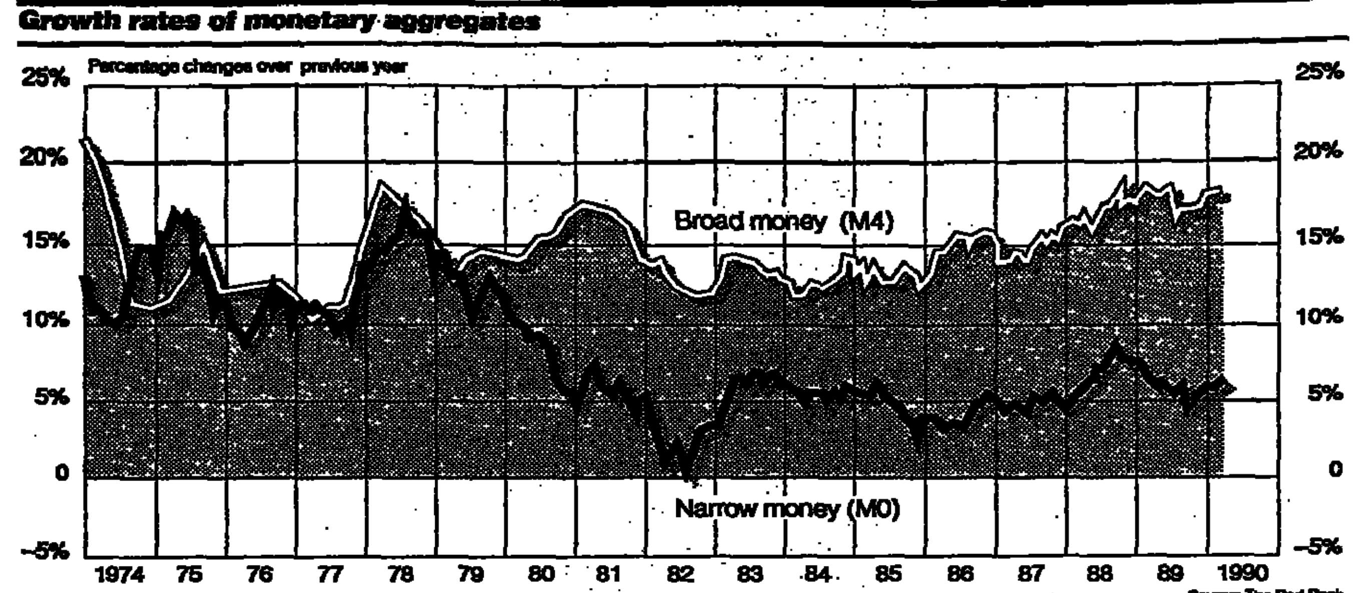
At first glance the Chancellor has maintained the old Treasury rule of thumb of budgeting for a similar surplus in the new financial year to the one estimated for the old one – £7bn give or take the odd decimal point.

John Major has managed to prevent the surplus actually falling by net tax increases worth £0.4bn in 1990-91 and £1.0bn in the following year. The gains come from not indexing the starting point for the higher rate income tax, from further increases in tax on business cars, and from raising the Excise duties by slightly more than the inflation rate, with petrol and tobacco bearing the brunt. Together these increases will pay for the modest cost of the minor concessions and equally minor savings incentives, and sustain the headline figure for the surplus.

If you go behind the headlines, the fiscal stance is actually loosening. A surplus of £14bn was originally predicted for 1989-90 and one of £10bn for 1990-91, compared with the new £7bn estimates for both years. And the special once-for-all factors which halved the surplus in the past year will not – the Chancellor assured us – apply so much in the year to come.

There is also a highly specific pointer to a loosening of the fiscal stance. Privatisation receipts are expected to rise next year. So the surplus, excluding privatisation, should fall from £5bn to £3bn. If we look ahead at the Red Book projections, the public sector, excluding privatisation, slips into a £2bn deficit in 1991-92, and into a £5bn deficit in subsequent years. Moreover, if adjustments for other assets disposal, such as council house sales, are made, the slip into deficit is larger and earlier.

Growth rates of monetary aggregates



Source: The Red Book

But I do not want to weep crocodile tears over fiscal policy. The British public finances are in a better shape than most of the Group of Seven countries – including Germany's, even before making allowance for unification. It is just that the UK fiscal position over the business cycle as a whole is slipping into the wrong side of neutral.

These matters pale into insignificance compared with the Chancellor's silence on the one macroeconomic issue that really matters: the fall in sterling. It is no use the Chancellor saying that he believes in a strong pound and presenting a persuasive case against the devaluationists when, the day before the Budget, sterling fell to its lowest level ever against the D-Mark and nearly to its lowest level on the Index. Nor can we write off the rises in German and Japanese interest rates as temporary disturbances. These are aspects of pressure in the world's strongest economies and form the context in which British policy has to be set, whatever the chairman of the Conservative Party may think.

John Major's own political emphasis on minor tax concessions in his speech was in principle offset by his decision to allow Treasury economists to write a long essay on monetary policy in the Red Book. Basically that essay simply tells us that the Government takes all factors into account in setting monetary policy, but still with special emphasis on M0 (mostly notes and coin), the one aggregate for which there is a target. I cannot help repeating that M0 gave no indication of the severity (or even existence) of the 1987-88 inflationary boom until well into 1988 when it was already upon us, and when the previous Chancellor had already started to raise interest rates a great deal.

The present Chancellor's references to interest rates were the least satisfactory parts of his speech. To interpret them one needs the language of biblical criticism. In the early part, where one could discern the influence of Author A, there was a straightforward textbook account of the virtues of monetary policy, arising from the ability to move interest rates quickly in either direction in response to a change of environment. Later on, however, Author B was in the ascendant. Passages by B expressed a determination not to reduce interest rates until the Chancellor was convinced that they would stay down and not have to be raised again – thus denying himself the very flexibility which Author A had claimed. Unfortunately B reads much more like John Major himself, and even more his next-door neighbour, than does A.

The whole discussion suffers from a lack of symmetry. Ministers are happy to explain why they cannot reduce interest rates very soon. But they shy away from the prospect that they may have to move upwards.

The main ray of hope in the Budget speech was a somewhat warmer reference to Britain's full membership of the European Monetary System, with some emphasis on the question being "When?" rather than "Whether." But the question which matters is whether "When" means before the election or not. After that the question is highly hypothetical.

There are reports of John Major having told intimates that Britain was likely to be inside within a year. Another senior minister believes that Britain could enter after a few clear months of improvement in indicators such as inflation and the balance of payments without any "blips." Yet there is a lot of evidence that Mrs Thatcher is as worked up as ever on the supposed threat of German unification which she sees as closely linked to European monetary questions. Moreover, she no longer thinks that shadowing the D-Mark was a "disaster." Instead it has become a "catastrophe." And although shadowing the Mark is not the same as full EMS membership, it is not utterly different either. So there could be a battle royal to come.

My main worry relates to the official Treasury and Bank of England, many parts of which are against membership while British interest rates have to be so much higher than Continental ones for anti-inflationary reasons. There is a danger of a vicious circle in which a falling pound leads to worse inflation than officials originally expect. This makes them want to put the EMS on the back burner, which itself encourages the downward drift of the pound. In the process, high interest rates become not so much an anti-inflationary weapon as a necessary way of living with market expectations of continuing inflation and depreciation. Something must change.

CHARITY

Helping the rich, and the not-so-rich, to give

Alan Pike and Sara Webb assess the Chancellor's plan for encouraging people to make donations

LEADERS of Britain's charities estimated that the sector could be up to £50m a year better off as a result of changes announced in the Budget yesterday.

The biggest single gain will come from the Gift Aid scheme announced by Mr Major, which for the first time will make large single donations to charity eligible for tax relief. Relief will be available on donations of between £600 and £5m a year.

In the case of a donor in the 40 per cent tax bracket who gives £10,000 to, say, Oxfam, the charity will be able to claim £2,500 for the basic rate tax (at 25%) and so will receive a total donation of £12,500. The donor will be able to claim higher-rate relief – in other words, 15 per cent, or £1,500.

"This is really good news. We're very pleased," said Mr Michael Brophy, director of the Charities Aid Foundation (CAF), who has frequently pushed for measures to coax donations to charity from the very rich on a scale seen often in the US but seldom in the UK.

Sally Greencross of Age Concern said yesterday that the charity "welcomes the introduction of the Gift Aid scheme, which will allow charities to claim tax relief on one-off donations of up to £5m."

Charities have conducted a vigorous campaign to have single gifts made subject to the same tax treatment as money pledged under long-term deeds of covenant, and will see the Budget changes as a victory.

Support for charity has been growing slowly in spite of government efforts to promote it through the Give As You Earn scheme.

CAF calculated last night that the Gift Aid scheme – which will offer tax relief to both individual donors and companies – could boost voluntary organisations' finances by up to £30m a year.

The relief will apply to donations made after October 1 1990.

Among the other measures in the Budget – which Mr Brophy described as a "charity bonanza" – there will be a simplification of covenants, removing ancient legal requirements such as the need to sign, seal and deliver them. If this simplification were to increase the current use of covenants by 10 per cent it would raise charity income by £20m a year.

The Government has, as in other recent budgets, raised the ceiling on the GAYE payroll giving scheme, under which tax relief is offered on charitable donations deducted from pay packets, from £480 to £600 a year. Viscount Whitelaw, the former Deputy Prime Minister, agreed yesterday to head a national campaign promoting the schemes, with the aim of doubling take-up among the public.

More than 175,000 employees have joined payroll giving schemes and their donations are expected to raise £7m for charity during 1989-90.

However, despite Mr Major's statement yesterday that "we are by instinct a generous nation to causes that appeal to us," a recent CAF survey shows that the average household gives no more than £2 a month. CAF believes high interest rates have kept restrained donations to charity.

VAT reliefs announced yesterday for organisations involved in rescue at sea, medical care and research should provide a total of £5m in benefit.

The reliefs include the zero-rating of lifeboats and related equipment, ambulances and medical equipment.

One charity which will benefit both from the tax changes on donations and the new VAT reliefs is the Royal National Lifeboat Institution.

"Last year we raised £35m and this year we need to raise £37m. We have met our targets in recent years, but it doesn't get easier," said the RNLI.

The Government is anxious to encourage charities to take on some of the responsibilities of public agencies in welfare and other fields. But the fulfilment of this ambition depends on charities being adequately funded. Yesterday's Budget proposals are a step in that direction.

OBSERVER

Lady with a trumpet

■ The art robbery from the Isabella Stewart Gardner museum in Boston over the weekend – among the world's largest with a Vermeer and three Rembrandts among the dozen works stolen – has some strange features. There is the puzzle of who would buy such well-known, not to say large, paintings. Other, even more valuable pictures, such as Titian's Rape of Europa, and works by Raphael, Fra Angelico and Botticelli, were ignored.

There has been speculation about a reclusive criminal mastermind such as Ian Fleming's Dr No or Jules Verne's Captain Nemo. But art thieves can be odd; remember Kempton Bunton who stole Goya's Duke of Wellington from the National Gallery in London to protest against the Macmillan Government's refusal to exempt old age pensioners from television licence fees.

Yet whoever it was would have to be pretty strange to rival in eccentricity Mrs Isabella Stewart Gardner, the original collector. Claiming descent from Mary Stuart and Robert the Bruce, she walked down nearby Tremont Street led by a pet lion and sometimes greeted guests to her parties sitting up a tree.

Advised by Bernard Berenson and a friend of Whistler and Sargent – two of whose portraits are in the museum – she built a private collection rivalled in the US only by the Frick in New York. When the palace that houses the paintings was being built, she walked around accompanied by a trumpeter who summoned workmen: one note for the architect, two for the plumber.

Major star

■ It was Britain's first televised budget and, as such, a great success for John Major, the Chancellor. Previously he has seemed rather a grey figure, yet he paced himself well and by the end seemed to be thoroughly enjoying himself. The budget may not do much for the economy in the short term, but it will have done a great deal for Major's standing in the Tory Party.

French time

■ France goes over to summer-time on Saturday night, just like Britain, but possibly for the last time.

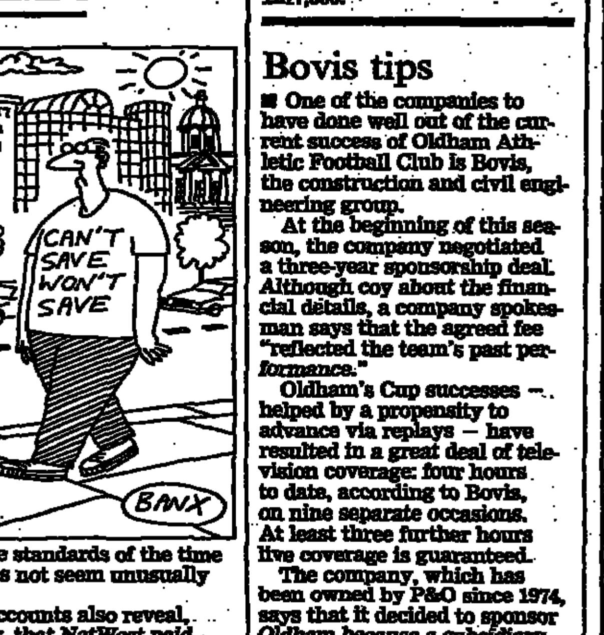
A parliamentary report submitted to the Industry Ministry argues that summer-time now offers almost no economic advantages and imposes considerable drawbacks.

When summer-time was introduced in France in 1976, it was expected to result in substantial savings on the foreign exchange costs of energy. At that time, about a third of French electricity consumption was generated from imported oil or gas; today, however, the proportion is down to only 1 or 2 per cent, thanks to investment in nuclear power.

Moreover, a recent survey shows that 46 per cent of doctors think that the change of hour has a negative effect on health, principally for children who have difficulty in sleeping, or for early morning workers. In addition, the report claims that the change of time encounters unanimous hostility in the world of farmers, where it causes a 30 per cent drop in milk production for about a month after the change of clocks.

Funny figures

■ The revelation in NatWest's annual accounts that it paid £505,000 in compensation to the three executive directors who were forced to resign over the Blue Arrow scandal has caused a bit of stir, although



– by the standards of the time – it does not seem unusually high.

The accounts also reveal, however, that NatWest paid a further £3.2m in "other emoluments" to its directors. This was a 77 per cent increase on the year before.

The reason, NatWest says, is it took five extra executive directors on to its board in 1989. Had the three not left half way through the year, the figure would have been even higher.

NatWest is not alone in being rather vague about payments to directors. At Lloyds, directors' fees amounted to £238,000, but "other emoluments" nearly doubled from £1.1m to £2m without explanation. Barclays has yet to publish its 1989 accounts, but in 1988 it also paid 10 times as much "other emoluments" as it did fees.

The NatWest compensation payments prove, incidentally, that even in resignation a clearing banker is not worth as much as an investment banker. The three received an average of £168,000 each. Yet the previous year Charles Villiers, who headed County NatWest where all the Blue Arrow trouble started, left with £217,000.

Bovis tips

■ One of the companies to have done well out of the current success of Oldham Athletic Football Club is Bovis, the construction and civil engineering group.

At the beginning of this season, the company negotiated a three-year sponsorship deal. Although coy about the financial details, a company spokesman says that the agreed fee "reflected the team's past performance."

Oldham's Cup successes – helped by a propensity to advance via replays – have resulted in a great deal of television coverage: four hours to date, according to Bovis, on nine separate occasions. At least three further hours live coverage is guaranteed.

The company, which has been owned by P&O since 1974, says that it decided to sponsor Oldham because a subsidiary – Bovis Urban Renewal – has a relationship with the local authority. "We decided it would be another way of furthering awareness of our presence", the spokesman says. "We hoped that they would have a good Cup run."

Bovis tips Liverpool for the first division championship.

Budget extra

■ Recipients of honours at Buckingham Palace investitures may in future be able to buy a personal video of their meeting with the Queen for £130. The recipients attending yesterday's investiture were each handed a letter asking their reaction. The charge has been set to cover the cost of the filming.

Beastly

■ Sign on the gate of a Hampshire country house: "Danger! Wild Children."

A series of acquisitions by the Swiss-based electrical engineering group raises the question of whether it may be over-reaching itself

Risking corporate indigestion to remain a leading player on the world stage

William Dullforce examines how Asea Brown Boveri is coping with a programme of rapid expansion

When Percy Barnevik bought Combustion Engineering of the US last November, even members of his own board worried that he might be biting off more than he could chew. Competitors gleefully spread doubt that Asea Brown Boveri (ABB) could summon the management resources to swallow another highly diversified $3.5bn-a-year morsel, when it was barely two years into its own restructuring, still had to digest its Westinghouse acquisition and had only just started to crunch into shape complicated joint ventures with the Finmeccanica group in Italy.

Even if Barnevik had made an astonishingly effective start towards building the world's strongest electrical engineering group out of the 1987 merger of Sweden's Asea and Switzerland's Brown Boveri, critics argued that the power business accounted for less than half of ABB's $21bn turnover.

The rest, involving production of a range of industrial, transport and environmental control equipment and "various" other activities, gave ABB the characteristics of an amorphous conglomerate which could easily become a manager's nightmare.

Moreover, after completing the $1.6bn Combustion Engineering deal, Barnevik had persisted with his expansion, taking over Cenemesa, Conelec, Cademesa (CCC), Spain's loss-making power-generation and transmission equipment group, and entering into joint ventures in Poland and East Germany, which call for concentrated management attention.

So, after galvanising the world electrical engineering industry out of decades of torpor with the ABB merger, has Barnevik started to over-reach?

His own answer to the sceptics is, first, to point to ABB's 1989 results published yesterday. Group pre-tax earnings climbed by 70 per cent to $911m while the net profit advanced by 53 per cent to $589m. This steep profit growth was achieved on a 15 per cent increase in sales to $20.6bn. ABB's order intake in 1989 was 21 per cent higher than in 1988. There was a strong improvement in key financial ratios; the return on equity was 16.8 per cent against 12.5 per cent in 1988 while the return on capital employed advanced from 13.5 per cent to 17 per cent.

Second, while acknowledging that it would have been easier to take three years to complete ABB's merger before turning to new ventures, Barnevik believes that the decentralised management system he has put in place has sufficient resilience to allow him to seize the opportunities in world electrical engineering germinated by the merger – and now by the political changes in Eastern Europe.

"When our merger triggers change in the whole European industry, when the Americans start seriously looking for global alliances for the first time this century and when Eastern Europe suddenly opens up, then they are not going to wait for ABB to get ready. Of course we have to stick to core businesses that we know about and determine our priority markets," Barnevik says, and points out that he had set the objective of obtaining 25 per cent of group revenues from North America as early as January 1988.

He admits that strains on management are inevitable in a group that has raised its order intake from $15bn to $25bn in two years, while streamlining manufacturing in the original 800 companies and integrating 60 newly acquired concerns, some of which required fundamental reorganisation.

But he believes that the strains can be coped with by the managerial resources released by decentralising the structure and he will not accept the argument that the 12-member group executive management in Zurich is simply too small to cope with the pace of expansion.

Explaining the grounds for his faith, Barnevik outlines the changes over the past two years in West Germany, where ABB has its biggest national operation. What Barnevik refers to as "originally one big lump in Mannheim" has been divided into 20 companies, each with a president and four or five senior managers.

"We have 80 to 100 people in responsible positions who before were locked into departments within a big structure. We have broadened the management resources we can call on. We can ask that particular manager to go down to Seville (Spain) and help sort out a problem with breakers. Another vice-president can be sent to look into management problems in Zamech (the new Polish joint venture)."

"Two years is a short time to develop this kind of flexible managerial base throughout the group and Barnevik accepts that there will be cases where an inexperienced or overworked manager will go wrong. But, he insists, "we are better equipped to handle these external demands now than we were in 1988 and we will get better and better over the next couple of years.

"I think we have done enough good things to be able to afford a few mistakes on the way. This is not a perfectionist situation. If you were a perfectionist, you would refuse to handle Spain (the CCC acquisition) now. But I feel we have a good margin before we fall off the cliff. We can still be cool and analytical about our growth."

Percy Barnevik: President & Chief Executive

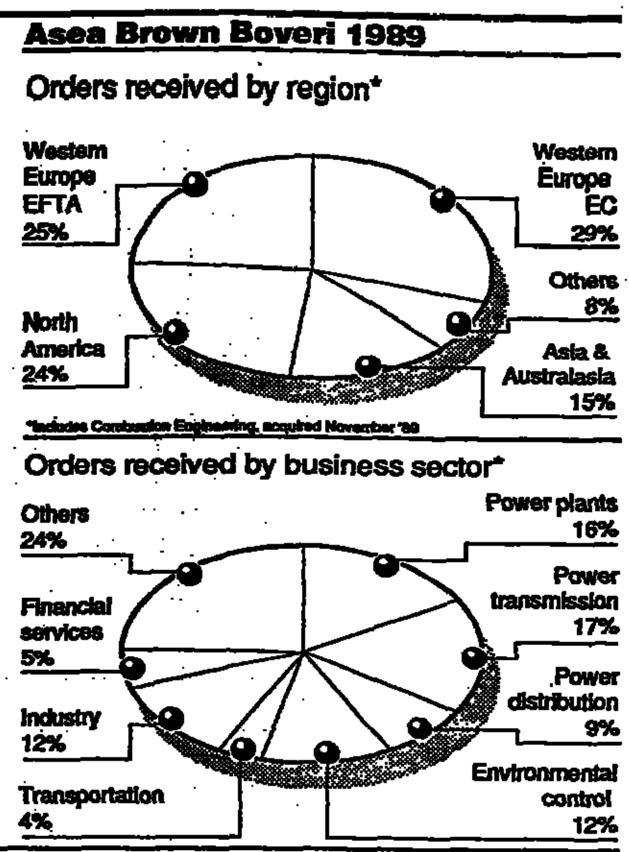


ABB has been managed since 1988 through a matrix structure. Its activities worldwide are organised vertically by product into eight business segments comprising 50 business areas. Each segment is responsible globally for allocation of manufacturing units and product development. Horizontally, on a geographical basis, the group is broken down into countries or, in the developing world, regions, with company managers responsible for operations in each country or region.

The 11 members of the executive management board under Barnevik divide responsibility for the business segments, countries or regions and corporate activities. Some have only product responsibilities, some are in charge of regions and groups of countries, some combine products with geographical areas. They are equipped with a global reporting system, Abacus, which supplies monthly updates of sales and orders and quarterly financial results and margins by business area, country or region.

Barnevik sees no reason to revise the matrix or to expand the executive board to handle ABB's fast growth. The management strategy is simply "more of the same." He is adamant about keeping a lean corporate headquarters in Zurich. The extra managerial resources needed will be generated at levels closer to the products and markets in line with his philosophy of decentralising authority.

Communication, "mobilising thousands of managers", remains the biggest challenge for the executive board, in Barnevik's view. In an interview a year ago with the Financial Times* he dwelt on the difficulty of motivating middle-level managers, who had been jogging along happily with a 2 per cent profit-to-sales margin for 25 years, to change work habits, perhaps switch jobs and aim for 5 per cent or more. How was he doing now?

Middle managers who had been sceptical about the changes were beginning to be persuaded both by ABB's performance and by the stimulus of their having greater independence and responsibility. The improvement in group results relatively early in the restructuring process had been important in reinforcing the message. "Now the problem is that they get too happy when they see profits doubled; they think 4 per cent (margin) is fantastic, and you have to tell them that American competitors can make 10 per cent."

A massive indoctrination effort continues to absorb much of the time of the executive board but is considered to be vital. Two-day meetings of 200 to 400 managers are supplemented by seminars in which executive board members meet 30 selected senior managers.

A big conference for 200 North American managers has just been organised in the US, where ABB is still busy integrating the former Westinghouse power transmission and distribution business as well as Combustion Engineering.

There was some opportunism behind ABB's acquisition of Combustion Engineering. After discussions between the US power and process engineering group and Alsthom of France over a 50/50 joint venture on the power side had broken down, Barnevik stepped in and within six weeks had agreed with Charles Hugel, CE's chairman, on a bid for the whole company. Barnevik insists that ABB and CE do make a fit in the process engineering and environmental control fields as well as in power equipment, and that the deal sits comfortably within ABB's overall strategy.

The European group now has a substantial bridgehead in North America with a $7bn turnover and 40,000 employees. Sceptics say ABB still has too much unfinished restructuring to do in its home base in Europe. It may take up to three years to put the Italian ventures on their feet and there is at least a couple of years' hard work for management in CCC.

But ABB announced last year that it had completed the merger between its original parts and, judging by the 1989 results, Barnevik's methods are paying off.

Plants have been closed, manufacturing has been re-allocated and concentrated, inventories have been reduced by 10 per cent – releasing some $1.8bn in capital – and accounts receivable are about $800m lower than in 1987.

Lead times for producing equipment have been dramatically cut; one type of gas turbine is now being built in six months instead of one year. The original ABB at any rate seems to be on the right track to reaching Barnevik's goal of becoming the lowest cost producer.

Still, Barnevik describes the first phase of cost-cutting as relatively easy.

In the second, efficiency-driven phase management will concentrate on cutting cycle times further, improving quality and curbing the re-working of components. "We may not be able to cut lead times in half again at one stroke but maybe we can reduce by a quarter and later by another quarter," Barnevik says.

Provisions for restructuring costs last year were substantially lower than the $600m allocated in 1988. The integration of Combustion Engineering is likely to boost restructuring provisions again this year but probably not to the 1988 level. ABB has spent some $3.5bn on acquisitions since the merger; it has recouped $1.5bn from the sale of real estate and disinvestments.

Is ABB in danger of becoming a managerially unwieldy conglomerate? While the strategic moves on the power front have attracted most attention, ABB has also been expanding in other sectors.

After some 10 acquisitions, Barnevik claims, ABB is now the world's biggest railway equipment manufacturer. Wholly-owned subsidiaries, making locomotives, coaches, power supply installations and signalling equipment, have annual sales of more than $1bn. If companies such as Brel, the UK locomotive and coach manufacturer, in which ABB has significant minority holdings, and associate companies are added, turnover in railway transport equipment exceeds $2bn a year.

ABB is producing railway equipment in 10 countries, including the US and Australia. It is joining forces with Thyssen in Germany. It is evolving a new drive system for the German high-speed train and has developed its own high-speed tilting train in Sweden.

By adding to the Swedish-based Fläkt group Combustion Engineering's resource recovery business and Widmer und Ernst, a Swiss company specialising in waste incinerating equipment, ABB has built up a business segment in environmental controls with an annual turnover of around $3.5bn. The management problem in this field is to find ways of applying properly the group's technologies to what promises to be a swelling long-term demand. Barnevik recognises that a lot of entrepreneurs have burnt their fingers in waste-handling.

Nevertheless, he sees no reason why his basic management tools – the matrix, decentralisation to unleash managers' enthusiasm, a constant efficiency drive and a sharp eye for business opportunities – should be less effective in transport or environmental control than in power equipment. "By decentralisation, bringing more managers into the front line, you can cope with more problems than you would otherwise be able to do."

In sum, Barnevik, confident in his ability to generate management resources, refuses to mark time. Characteristically, when asked what in retrospect he might have done differently in the past two years, he replies: "I wish we had not been so cautious and put off decisions in some areas." Speed is still the essence of ABB's style.

*April 5 1989

LETTERS

Practical support for President Havel

From Mr Julian Paleson.

Sir, In their excellent interview with President Vaclav Havel ("Intensity in the moral approach," March 19) A.H. Hermann and John Lloyd stated that it would be "superficially distressing – a reminder of national loss of nerve" for Mrs Thatcher and President Mitterrand to visit Czechoslovakia.

A fraction of this distress could be removed if the British and French governments were jointly to propose locating the new European Bank for Reconstruction and Development in Prague rather than noisily pushing their own already over-saturated capitals.

The long-term goodwill that would result from this gesture would surely outweigh any immediate economic advantages to either London or Paris.

The vision, frankness and modesty of Czechoslovakia's new President must come as something of a shock to the first lady and the first gentleman of the European stage. But in the short term playwrights have always taken a back seat. After all who remembers who played Hamlet at The Globe in the 1590s?

Julian Paleson,
227 rue de la Loi,
Brussels

R&D deal with the Soviet Union

From Mr J. Michael Younger.

Sir, With regard to Peter Miller's article on intellectual trade flow between East and West ("West heads East in search of ideas," March 14), Arthur D. Little signed a research and development partnership agreement with The Academy of Sciences of the USSR on February 21.

Within this overall structure, 31 Soviet institutes have agreed to participate in an R&D partnership to develop and commercialise Soviet innovation in the West. While this agreement is still subject to final negotiation, we believe the initiative holds great promise.

Basic scientific work in the Soviet Union is of high calibre and in many areas the leading work in the field. However, it has not often been developed into commercial applications.

The agreement covers a wide range of sciences from medical technology through computer sciences, to marine biology, ecology and natural resource development.

J. Michael Younger,
Managing Director,
Arthur D. Little,
Berkeley Square House,
Berkeley Square, W1

Training the whole workforce

From Mr P. Ashby.

Sir, It is good to be reminded by George Wright (Letters, March 10) that the Wales TUC was advocating a credit scheme for school-leavers as far back as 1977.

What is striking about the past 13 years, however, is the UK's relative success in extending training for 16 to 18-year-olds (notwithstanding the absence of a credit scheme) compared with its dismal failure in relation to 18 to 65-year-olds. Surely the lesson is not just that more should be done for young workers, but that this should form part of a more holistic approach towards training across the workforce.

Credit (or vouchers) could provide the key to this, by representing a down-payment in an individual's training account. In the same way as personal portable pensions go with individuals wherever they might work, so would individual training accounts.

Personalised training accounts would hold out the best prospect for the millions of employees who currently receive no training whatsoever, and especially the unskilled workers – a large proportion of Mr Wright's members – denied any training since leaving school. Individuals would purchase their own training through their accounts, with contributions from their employers and, in certain cases, the Exchequer.

The real lesson from the past 13 years is that in pressing for credits for 16 to 18-year-olds, the Wales TUC and others were setting their sights too low. If we are now in earnest in seeking lifelong training for all, we must set our sights considerably higher.

Peter Ashby,
Full Employment UK,
4 Europa House,
St Matthew Street, SW1

Lord Young and the Rover sale

From Mr Peter King.

Sir, Several readings of Lord Young's article ("Why I sold Rover to British Aerospace," March 7) still leave me in doubt as to how this curious transaction was negotiated.

Even the title itself might be at variance with the statement, halfway through the piece, that then "British Aerospace came along." Perhaps Lord Young would elaborate on how, when, where and why they did so?

It will all come out when the Public Record Office opens the files in years to come, so why not explain now? No security is involved, but if no answer is given it may be thought that the vendor sold Rover rather than BAe bought it.

Peter King,
Nicholas Corner,
Burdrop,
Sibford Gower,
Banbury, Oxfordshire

Third World development cannot be done to First World orders

From Mr John Saunders.

Sir, As a former Assistant Secretary-General of the United Nations concerned with development, I suggest that Sir Colin Campbell's views on Third World aid (Letters, March 13) would have been unusual in 1950. Now they suggest an alarming idea of the art of the possible.

Donors are to lay down the law so that shiftless Third World governments disband all their armies like Costa Rica, introduce a one-world philosophy, democracy and freedom of the press, and make countries like Ghana and Tanzania match Korea and Taiwan.

Of course there is corruption in the Third World, and there are examples of co-operation in some of that activity by western and other business. Concerning moral character in donor nations, has Sir Colin kept up with activities in certain British business and police circles?

As to the Organisation for Economic Co-operation and Development and the World Bank becoming "much more strident" about stricter conditions, he will find an excellent statement of the OECD's achievements and problems in its 1985 report, 25 years of development co-operation.

The IMF/World Bank imposition of conditions, which Sir Colin urges should be firmer, is another matter. Repeated World Bank assurances of the success of their structural adjustment programmes included the statement in their 1989 report, Sub-Saharan Africa: from crisis to sustainable growth, that African "recovery has started." There must be some doubt about this claim; to say the least.

Last year Sir Douglas Wass asked western donors to stop basing their aid criteria on IMF conditions. The distinguished economist Tony Killick, formerly Director of the Overseas Development Institute, wrote that "the evidence for the effectiveness of their (structural adjustment) programmes is less than compelling."

Most important was the 1989 declaration by African governments, through the UN Economic Commission for Africa, that the World Bank/IMF structural adjustment programmes had not turned round the economic situation of most African countries because the model which underlay them "is essentially not adapted to the African situation." Under ECA's aegis they adopted the African Alternative Framework Programme. There could not be a plainer difference of view.

Clearly Third World development cannot be moved forward by First World orders issued from a distance. After more than 40 years of effort our understanding of the complex problems of development remains relatively modest. We look to the FT, among other participants in the common effort, to continue to get at the facts and the experience, and to examine objectively the range of ideas, on the basis of which we may hope to make further progress, with much better co-operation among all the governments concerned.

John Saunders,
20 Shirleys,
Ditchling,
Hassocks, West Sussex

FINANCIAL TIMES
Wednesday March 21 1990

Japan's interest rise seen as too little, too late

Stefan Wagstyl examines the effects of an increase in the key short-term rate

THE Japanese authorities face a nerve-wracking wait to see if yesterday's increase in the Official Discount Rate will achieve their twin aims of restoring stability in financial markets and forestalling inflation.

They will be anything but happy about the immediate reaction of investors who promptly sold the yen on hearing news of the fourth ODR increase in less than a year. Even as Mr Yasushi Mieno, Bank of Japan governor, was spelling out his reasons for raising the ODR, the key short-term rate, by 1 percentage point to 5.25 per cent, fund managers were deciding that it was too little, too late to stop the rot.

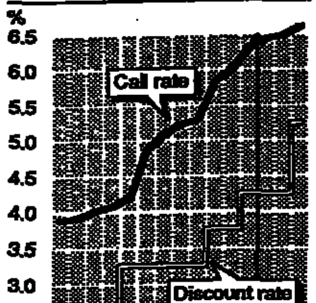
"This increase was fully discounted in the market," said Mr Kim Schoenholz, an economist with Salomon Brothers, the US investment bank in Tokyo. Mr Robin Preston, treasurer at National Westminster Bank in Tokyo, said: "The 1 percentage point increase had absolutely no effect on the yen."

Foreign currency dealers forecast the yen could fall to Y160 against the US dollar, from its close in Tokyo yesterday of Y153.65. Stockbrokers said the Nikkei index, which shed 456.05 points to finish at 31,263.24, could well drop below 30,000 in the near future.

Yet things may not be as bad as they seem for the authorities in their efforts to stabilise markets.

Even though the yen and equities fell yesterday, bond prices did not; they edged up slightly, bringing the yield on the benchmark government bond down to 7.195 per cent by the close of trading on the Tokyo Stock Exchange. Since the slump in equities since the beginning of the year was triggered by a fall in bonds, yesterday's modest rise in prices may be significant.

Also, the carefully co-ordinated statements supporting the rate increase from the central bank and the Ministry of Finance may go some way towards reassuring fund managers that the two organisations are trying to settle their recent quarrel over monetary policy. Mr Ryutaro Hashimoto, the finance minister, applauded the rate increase, saying it would stabilise markets and contribute to sustaining non-inflationary economic growth, in words which Mr Mieno might have used.



Central bank officials added that investors' immediate reaction to the ODR hike was less important than their subsequent views.

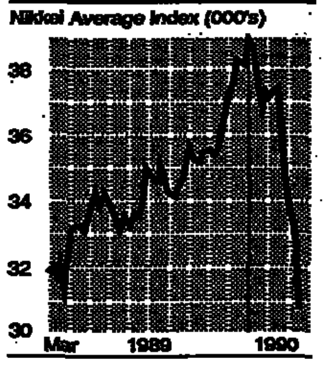
This is true. But the outlook for the yen seems uncertain. Much will depend on how successfully the authorities convince investors of their determination to maintain a tight grip on the money supply by keeping interest rates at current levels. Fund managers will be on the lookout for any signs of continuing tensions between the central bank and the Finance Ministry.

Mr Mieno all but ruled out a further ODR rise in the near future, but he has other weapons in his armoury, including intervention in the money and foreign exchange markets, and giving guidance to banks about lending policies. In any case, the ODR is used mainly as an indicator of official policy – following interest rate deregulation it has little direct influence on market rates, tending to follow rather than lead moves in unregulated rates.

The scale of Mr Mieno's problem was highlighted yesterday by figures showing that the money supply in February grew 11.8 per cent, 0.3 percentage points faster than in January, even though monetary policy was being tightened at the time.

Some economists believe Japanese rates will have to rise further before the yen will stabilise against the US dollar and other currencies. While Japan continues to run large current account surpluses with the rest of the world, these are outweighed by the scale of Japan's direct and indirect overseas investment. The net long-term outflow of capital, after allowing for foreigners' investments in Japan, was $88bn, against a current account surplus of $57bn. Since the beginning of the year, Japanese investors have not lost their passion for investing overseas while the slump in the Tokyo stock market has cooled foreign interest in Japan. The drop in equities has also forced Japanese companies to reduce their fund-raising overseas: principally in the Euromarkets. This has further reduced demand for yen since the proceeds of these Euromarkets issues are usually converted into yen and repatriated for use in Japan.

The flow of funds into Japan from this source plunged from $7.3bn in December to $1.1bn in January, the latest month for which figures are available.



February's total was probably lower still.

In the light of these capital flows, the gap between Japanese and US interest rates is crucial, for it greatly influences the appetite of Japanese fund managers for overseas investment. (Portfolio investment in securities still accounts for about three-quarters of Japan's foreign investment.)

The gap in long-term rates has closed from a peak last year of 4.5 per cent to less than 1.5 per cent. Mr Keikichi Honda, head of research at the Bank of Tokyo, thinks this should be more than enough to restore investors' faith in the yen given that inflation rates are lower in Japan so the real returns are higher. But others point out that in West Germany, another low-inflation country, the yield on long-term bonds is higher than in the US. Economists at BZW, the securities division of Barclays Bank, say US and Japanese rates may have to cross, at least temporarily, before the yen stops falling.

However, the Bank of Japan may not be free to push up market rates to these levels for fear of causing further damage to confidence in the stock market.

The Bank of Japan's other principal consideration is inflation. Mr Mieno said that yesterday's rise was the final step in the current efforts to forestall inflation though he did not rule out the possibility of a further increase.

Central bank officials admit there is little reason to worry about current figures which show consumer prices edging up at a rate of about 1.5 per cent a year, after taking account of the one-off effect of a 3 per cent consumption tax introduced last April.

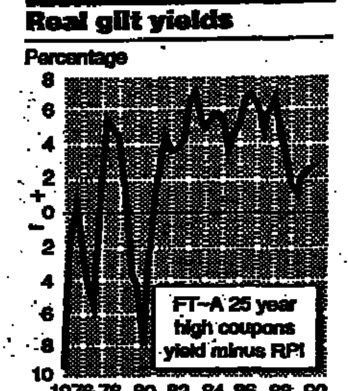
But the central bank has good reason to be concerned: the yen's weakness is pushing up import prices as are recent rises in world commodity prices, including oil. Labour is short; there is a risk of a resurgence in land price increases; and money supply growth is accelerating.

A senior central bank official said this week: "Inflationary expectations matter. It may too late to act when price indicators start to flash."

THE LEX COLUMN

Mr Major crosses his fingers

The overriding impression from the budget is that the Government is now more afraid of the voters than it is of the markets. What was needed, for overseas investors particularly, was fiscal tightness. Instead we have neutrality, or perhaps even – given the bigger than expected fall in the PSDR – a touch of laxity. The measures to promote savings are highly laudable but do not take effect for between one and two years. Meanwhile, inflation looks headed for 10 per cent, and there is still no consensus on the short-term strength of demand. Until these things are clarified, Mr Major can only trust to luck that he will not be called upon to make the ugly choice between a further slide in sterling and 16 per cent base rates.



In terms of political unpopularity, the difference between raising taxes and raising interest rates is perhaps not very great. But to be fair to Mr Major, he may have grounds for believing that the one-club policy is working. Certainly, the forecasts for this year remain consciously gloomy: inflation still at 7 per cent in the fourth quarter, the M0 ceiling raised to 5 per cent and non-oil growth still at ¾ per cent for the year. The implication of the last figure, in particular, is that by the second half the economy will be dead in the water. With luck, the trade figures would then be improving rapidly and the inflation forecast looking over-cautious.

The trick is to get from here to there in safety. The markets may also take a little convincing that the forecasts for 1991 are not on the rosy side, in particular a resumption of growth at 2¾ per cent. With the upward pressure in world interest rates continuing, the next couple of months are going to be hard going.

Gilts

It is understandable that gilt investors dissented from the equity market's favourable view yesterday, with longs down two points on the day. The forecast for the PSDR in 1990-91, at £7bn, was a billion or two below expectations: the target range for M0 was edged up by one percentage point; and the forecasts for money GDP have been raised by three-quarters of a point in 1991-92 and 1992-93.

Just as important, the long expected return of new issues now looks imminent. Gilts will be sold to prevent excessive Treasury bill issues; maybe the health of the corporate bond market has recovered sufficiently that the Government no longer fears the possibility of crowding out at the long end.

All told, the Budget did not sound to the gilts market like the speech of a Chancellor committed to fighting inflation. If this was Mr Major in tough mood, next year's pre-election package will indeed be a bonanza. Even long gilts yielding 12.5 per cent are only offering real yields of under 3 per cent on current expectations for inflation over the next few months. If Mr Major does bring down interest rates quickly in 1991, then the shape of the yield curve might switch from sharply inverted to positive within a short period.

Stamp duty

The largesse to the City of London represented by the abolition of stamp duty on share transactions is rather breathtaking. With an £800m annual cost to the Exchequer, the measure looks overdone as a reward for bringing in the Taurus paperless settlement system and dwarfs the savings from Taurus itself. At 0.5 per cent, stamp duty is a much greater expense these days for institutional investors than their brokers' commissions; so it is easy to envisage the large insurers, say, saving seven figure sums.

As for stimulating wider share ownership, PEPs should have sufficed; and of the UK's 11m individual shareholders, most got their equities in privatisations with no stamp duty paid. The abolition of stamp duty makes best sense as a support for London's international competitiveness. The shot in the arm for equity market volumes could be substantial. A 1984 Bank of England paper reckoned a one percentage point drop in duty, let alone abolition, would raise turnover 70 per cent over four years, and equity prices 10 per cent. And Mr Major's decision to exempt pension funds and some unit trusts from taxes on derivative instrument deals should boost futures and options trading, while rather ignoring the worldwide official displeasure at programme trading and the like.

Sterling

The combination of the 10 per cent plus decline in the exchange rate since the last budget and the decision not to hammer the UK economy harder at a time when demand is slowing down is good news for equities. Corporate profits have held up remarkably well so far, and yesterday's measures mean that the authorities have backed off from inflicting serious pain on the corporate sector. It would be nice to believe that this had more to do with concerns that the economy's supply side gains are not squandered in a damaging recession, than with political expediency.

However, the real judgment on the adequacy of current UK economic strategy will be made in the foreign exchange markets, and here the initial readings are not good. Yesterday's rise in the Bank of Japan's discount rate, to its highest level since 1985, is a further reminder that international interest rates are continuing to rise and that even the world's strongest economies cannot afford to ignore their exchange rates. The continuing weakness of the yen suggests that Japanese interest rate policy is suffering from the syndrome of too little, too late. It is a message the UK authorities cannot ignore.

The external risks for the UK economy are rising and, if anything, the budget has increased the chances that interest rates may have to be raised higher than necessary to support the currency. The decline in the exchange rate over the last year has probably added close to 3 percentage points to the inflation rate; a similar sort of decline over the next year would ruin any chances the Government may have of meeting its inflation objectives. The budget has done nothing to convince foreign investors that sterling is a safer bet in 1990 than it was in 1989.

China 'rock firm' against political reform

By **Peter Ellingsen** in Peking

CHINA yesterday made plain its decision to maintain economic reform without the political and social concessions that have transformed eastern Europe.

Li Peng, the Prime Minister, told the National People's Congress in Peking: "Socialist China will stand rock firm in the east."

Li attacked dissidents and stressed the Communist Party's monopoly of power in his address. In front of 2,970 delegates in the Great Hall of the People, most them Party members with orders to rubber-stamp the policy, he claimed broad public support for a programme that employs the jargon and tactics of the 1950s to negate criticism and regulate behaviour.

Premier Li Peng (right) and President Yang Shangkun in discussion before the opening session of the Chinese legislature at the Great Hall of the People in Peking yesterday

Flanked by top Party figures, not including the recently "retired" Deng Xiaoping, China's elder statesman, Li expressed "particular gratification" at the army's crushing of last year's democracy movement, and the subsequent return to "ideological education in patriotism, collectivism and socialism."

In an implied attack on the architect of the reform, Zhao Ziyang, the disgraced former Party chief, Li said it was not until after the "turmoil" (the June 4 massacre) that "effective institutions and methods of ideological education" were restored and corruption tackled.

Delegates were told that last year's Tiananmen upheaval, in which an estimated 1,000 civilians died, had "greatly hindered" efforts to right the economy. Despite this, Li said, inflation had been brought down to 7 per cent, and excessive demand dampened.

However, many problems remained, with falling industrial output, corruption, and no dent in the crime rate. "Some factors leading to social instability still exist," Li added.

With Party Secretary Jiang Zemin looking on, Li told the gathering that "only socialism can save China" and that if the nation embraced capitalism, China would become a vassal of the West and "the overwhelming majority of its people would sink into poverty."

Li said officials must "guard against the handful of people with ulterior motives who attempt to make Hong Kong and Macao bases for overthrowing the central government and the socialist system." He expressed particular concern at the "recent agitation" in Taiwan.

China would adhere to its coastal strategy and continue to promote investment in eastern provinces such as Guangdong and Fujian, but there would be tighter control over prices, Li said. He added that the central planning mechanisms normally seen as a barrier to reform, would be hardened.

The Government would ease the austerity programme that has crippled industry, raised unemployment and led to increased crime, by selectively stimulating industry and agriculture to double the size of the economy by the end of the decade. The controlled growth strategy, accompanied by a return to rigid central planning, aims to see GNP grow by 5.8 per cent a year.

Soviets to have a taste of US-style evangelism

By **Raymond Snoddy** in Los Angeles

ONE OF America's leading television evangelists, Dr Robert Schuller, looks set to get his own monthly religious programme on Soviet television.

Dr Schuller is famous for his Hour of Power television programme broadcast to 31 countries from the Crystal Cathedral in Garden Grove, California.

In December, Dr Schuller, a member of the Reformed Church of America who avoids most of the fire and brimstone excesses of other television evangelists, became the first foreign clergyman to broadcast on Soviet television. He visited Russia with Dr Armand Hammer, the oil tycoon, and asked to be allowed to broadcast to the Soviet Union.

"Nobody says no in Russia when Dr Hammer asks for something in person," said Dr Schuller. He was offered the chance to produce a 15-minute sermon on the spot. The result, complete with a Russian translation, had an estimated audience of 200m.

In the past few days Dr Schuller has received a telex from Mr Valentin Lazutkin, deputy chairman of Gostelradio, the Soviet broadcasting organisation, saying that the plan for a monthly broadcast to the Soviet people "is moving forward." The suggested name of the programme is Heart to Heart.

The Crystal Church ministry has revenues of $35m a year, most of which goes towards buying time on US television to show the Hour of Power.

In Europe, the programme is broadcast free.

Because of European broadcasting rules, no advertisements can be carried in Dr Schuller's programme when it is broadcast in Europe and there can be no appeal for money as happens in the US.

Dr Schuller gets a weekly audience of more than 1.5m for his programme in the US alone and when the 1,000th edition appeared recently all five living US presidents gave taped interviews.

● Soviet television has been been giving religious figures, church music and church services ever increasing time on the air over the past year, although nothing yet exists like a full-scale religious discussion programme, writes Quentin Peel in Moscow.

In social and political discussions, leading members of the church hierarchy are often included. Both orthodox clergymen, and leading Moslem clerics, now elected to the Congress of People's Deputies, seem to enjoy a disproportionate amount of media attention.

One reason is Mr Mikhail Gorbachev's belief that Soviet society needs new moral direction, and the church is one possible source.

Economic package baffles Brazil markets

By **Ivo Dawnay** in Rio de Janeiro and **John Barham** in Sao Paulo

CONFUSION over new credit and tax regulations, operational disputes and systems failures left Brazil's financial and stock markets at a total standstill for the second day in succession yesterday.

But as central bank officials attempted to cope with thousands of inquiries over the new measures, it emerged that the Government was predicting an April inflation rate of about 13 per cent – a dramatic fall on levels of about 90 per cent expected for March.

The inflation forecast came late on Monday night when an interest rate of 18 per cent was quoted for large volume transactions in the new overnight interbank market.

From this basis, bank economists are projecting a real inflation rate about 5 points lower.

Evidence of the price fall has been seen in supermarkets, department stores and bars and restaurants, where business has slumped since President Fernando Collor tabled his radical liquidity squeeze and fiscal reforms last Friday.

Under the package, rigid ceilings of roughly $1,000 were placed on all withdrawals from bank accounts, while holders of interest-bearing deposits were restricted to $500 or 25 per cent of their total holdings.

The squeeze is estimated to have taken $100bn out of circulation at a stroke, drastically cooling the economy, cutting the Government's internal debt service bill and fortifying a new cruzeiro currency created by the reforms.

At the same time, the measure has unleashed a tide of legal and regulatory problems – the largest being whether the President can legitimately sequestrate citizens and companies' property.

But while that debate continues, the central bank is being forced to give its verdict on the legality or otherwise of thousands of complex transactions now being undertaken by citizens desperate to escape the Government's net.

By mid-afternoon yesterday, stock markets were still halted as brokers sought guidance on punitive new taxes on financial operations.

Evidence is growing, meanwhile, that the plan is having a dampening effect on inflation. Gold prices were marked down a further 29 per cent yesterday to Cr420.

Wildly fluctuating unofficial quotations for the cruzeiro's dollar exchange rate all showed a sharply lower figure than the 85 New Cruzados (the former currency) quoted at the preferential "tourist" exchange rate before the plan was tabled last week.

WORLD WEATHER

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Moscow offers freedom

Continued from Page 1

last night about Soviet troop movements in Lithuania and said Moscow's actions and statements in recent days were "cause for concern."

President George Bush said he hoped that the Soviet leadership would show the same tolerance towards Lithuania as it had shown to democratic reform movements in Eastern Europe. Everyone wanted to see "peaceful evolution" in Lithuania, he said.

Mr Marlin Fitzwater, the White House spokesman, referred to the "government of Lithuania" even though Washington has avoided formally recognising one.

The Soviet leader is facing an ever-spreading rash of nationalist opposition, with the southern republic of Georgia seething with unrest before weekend elections. Yesterday the Georgian Popular Front – the one big organisation participating in the elections other than the Communist Party itself – called for the poll to be postponed until the Party's monopoly had been removed from the constitution.

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday March 21 1990

INSIDE

Tokyo topples off the equity perch

A one percentage point increase in Japan's official discount rate did not prevent the Nikkei 250 index declining sharply yesterday. Depressed further in dollar terms by the depreciation of the yen, Tokyo fell from first place in the world's equity capitalisation league, letting Wall Street back into prime position for the first time since 1987. Back Page

Polishing the jewel in the crown

Galerias Preciados, the Spanish department store chain, is the "jewel in the crown" of Mountleigh, the Anglo-American property company, which saw profits fall sharply in the first half of 1989. Floating Galerias appeared to be the most likely outcome of this bad news, according to Mountleigh. Tom Burns talks to the man who is charged with putting the final polish to Galerias. Page 21

Reaping the whirlwind

Brazilian banks have taken advantage of the country's legendary economic chaos. They reaped windfall profits from crushing interest rates meant to keep the lid on hyper-inflation. Last year was an exceptional year for Brazil's banks, even by their exacting standards. Now, President Fernando Collor de Mello plans to clamp down. Financial institutions will be dragooned into financing privatisations and they will be taxed more heavily. Page 20

Silver shadow over Peru

Peru's silver mines are struggling for survival. Government-pegged exchange rate problems and stubbornly low international prices have hit the industry and mining companies are looking to diversify wherever they can. The advent of a new government on July 28, however, promises to improve conditions. Page 30

Phantoms in the MBO opera

Management buy-outs have not had a great press, but some investors still want a piece of the action. The attempt by Robert Holmes à Court (left) to build a stake in Really Useful Group, which Andrew Lloyd Webber is trying to take private, has baffled banks and brokers. Andrew Hill compares the problems confronting Mr Lloyd Webber with those facing British Syphon Industries, which has had to live with a large minority shareholder for 18 months. Page 26

Market Statistics

Base lending rates	38	London traded options	25
Benchmark Govt bonds	25	London tradit. options	25
FT-A indices	25	Money markets	38
FT int bond service	24	New int. bond issues	25
Financial futures	38	World commodity prices	38
Foreign exchanges	38	World stock mkt indices	38
London recent issues.	25	UK dividends announced	26
London share service	31-33	Unit trusts	34-37

Companies in this section

BSG	27	Kuwait Petroleum	20
Banco di Roma	21	La Générale	21
Benchmark	27	Laing Properties	28
Brake Bros	28	McDonnell Douglas	27
British Syphon Inds	26	Menzies (John)	26
CS Holding	20	Mobil	20
Cambridge Electronic	26	Mountleigh	21
Camford Engineering	27	New England Props	27
Cavendish Int'l	20	Paterson Zochonis	28
City Realties	20	Poer Financial	20
Club Med	21	Rhône Poulenc	20
Electra Investment	28	River & Merc Amer	27
Era	26	Rorer Group	20
Federal Express	20	Saab-Scania	21
Ferrum	27	Standard Chartered	20
First Boston	20	Statoil	21
Galerias Preciados	21	Third Mile Inv	27
Geest	26	Trinity Intl	26
Glamar	28	VPI	26
Globe Investment Tst	28	Valmet	20
Gulf Resources	20	Wace	27
HTV	27	Yellowhammer	26

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Holzmann	1379	+	34	Sp Victoire	1580	+	51.7
Rheinmetall	353	+	15	Total Cert	115	+	6.2
Volkswagen	606.7	+	10.2	UFB-Locabail	410	+	13.9
Falls				**Falls**			
Deckel (Fr)	195	−	10	CGIP	1302	−	56.5
Didier-Werke	240	−	10	Gal Lafayette	1642	−	68
Porsche	1060	−	40	Ingenico	108.2	−	7.3
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Curtiss-Wright	59¼	+	7¼	Dantani	1400	+	130
Digital Equip	83⅜	+	2¼	Fujikura Kasei	1380	+	110
Fed Express	58⅞	+	1⅞	Uchida Off Hyd.	1340	+	130
Int Multifoods	30⅞	+	2⅝	**Falls**			
LSI Logic	9½	+	⅜	Marudai Food	1170	−	170
Falls				Miyaji Iron Wk	990	−	140
Hibernia	17	−	⅝	Tokyo R'tenchi	1170	−	170

New York prices at 12.30.

LONDON (Pence)							
Rises				Renishaw	371	+	11
Amerson	53	+	8	Royal Ins	487	+	9
Abbey National	190½	+	5½	Turriff	291	+	10
Barclays	573	+	11	Tyne Tees TV	301	+	11
Bass	907	+	11	Wardle Storeys	282	+	9
City Gate	135	+	44	Yellowhammer	42	+	6
Colorgraphic	228	+	20	**Falls**			
Glaxo	821	+	37	HTV	101	−	13
Lloyds Bank	288	+	11	Tesco	198	−	4
NatWest Bank	344	+	14				

ABB curtails acquisitions strategy

By Nick Garnett in Brussels

ASEA BROWN Boveri's programme of large acquisitions and joint ventures in western Europe and North America is coming to an end.

Announcing 1989 results for Europe's largest engineering group, Mr Percy Barnevik, president and chief executive officer, said yesterday: "I think the ball game is over to a certain extent." He added, however, that acquisitions and joint ventures in eastern Europe would continue.

Pre-tax profits for the year jumped 70 per cent to $911m from $536m.

Revenues were up 15 per cent to $20.56bn from $17.83bn and earnings, after financial items, finished 65 per cent higher at $922m.

Orders received in 1989 totalled $21.64bn, a rise of 21 per cent on those reported in the previous year.

Mr Barnevik said the group was now satisfied with its geographic spread of businesses, with western Europe accounting for 55 per cent of orders last year, North America 24 per cent, and western Europe outside the European Community 29 per cent.

However, operating earnings after depreciation, at 5.1 per cent of revenue, was not a satisfactory figure to support the group's long-term ambitions.

He also conceded that the rapid expansion of the group had severely stretched its management capabilities. ABB spent $3.09bn on acquisitions last year against $544m in 1988. The biggest 1989 purchase was Combustion Engineering of the US for $1.56bn.

In eastern Europe, ABB has already concluded joint venture agreements in power engineering in Poland and is about to do the same with Bergmann-Borsig, East Germany's sole steam turbine maker.

It is also negotiating to set up a joint venture with part of the Skoda heavy engineering business in Czechoslovakia.

Mr Barnevik expressed satisfaction at the progress of ABB's joint ventures and the internal rationalisation programme since Asea of Sweden and BBC Brown Boveri of Switzerland merged their heavy electrical businesses at the start of 1988.

But he acknowledged that the subsequent joint venture with Finmeccanica of Italy had run into difficulties.

The group's prospects, said Mr Barnevik, were good and earnings would be higher in 1990, even though some acquisitions would tend to have a negative impact on ABB's short-term results. He forecast that sales in eastern Europe, including the Soviet Union, would rise from $200m last year to $1.5bn by the mid-1990s.

Total world power plant orders for gas turbine and combined cycle stations doubled last year. This technology was going like a "prairie fire," said Mr Barnevik, and ABB's market share growth was 4 to 6 per cent.

Non-recurring costs, mostly related to restructuring, declined from $520m to $265m in 1989 but the tax bill more than doubled to $283m. Return on equity was 16.8 per cent, compared with 12.5 per cent. The group is proposing to pay a dividend of $97m to each of its two shareholders, Asea AB and BBC Brown Boveri.

ABB's expansion, Page 17

Standard Chartered plunges to £67m

By David Lascelles

STANDARD Chartered's pre-tax profits plunged to £67m ($108m) last year from £312m because of bad company loans and the problems of Third World debt. After tax, the international banking group reported a loss of £35m.

Standard had warned that its profits would be down for the year, and the result was within expectations.

The operating profit was £390m, but after the charge for bad debts this was reduced to £232m. There was an exceptional charge of £437m for sovereign debt and £28m for reorganisation costs. But these were partly offset by a £290m profit on the sale of buildings.

Mr Rodney Galpin, the executive chairman, said he was disappointed by the "unacceptably high bad debts" and he had reinforced the risk management and credit functions. But he added: "This result masks the strong growth in our continuing businesses."

Among improvements, he cited a reduction in costs, strong profit growth in core businesses, and a clearer strategic focus on the bank's geographic regions. He said that steps taken last year to raise the bank's performance would start to show through this year.

Standard's capital position deteriorated, with the Basle ratio falling from 10.4 per cent to 9.2 per cent, though this will rise to 9.5 per cent when the proceeds from disposals are received. The total dividend for the year is 35p per share, up from 33.8p.

Standard's shares gained 2p to close at 545p.

Positive steps, negative reaction

David Lascelles on an old colonial bank's search for a modern role

By the standards of UK clearing banks, the £35m ($57m) post-tax loss announced yesterday by Standard Chartered was tiny. Midland Bank lost £261m last year and Lloyds £499m. Nor did the news come as a particular surprise. Mr Rodney Galpin, the chairman, has had the unpleasant task of issuing not one but two profit warnings since January.

But the result was still a big disappointment because it underlined just how trouble-prone this former colonial bank remains, as it struggles to find a role in a changing world. Only last week, it transpired that Standard had lent $110m to MiniScribe, a US disk-drive manufacturer which sought the protection of the bankruptcy laws amid allegations of fraud.

This is bound to fuel the doubts that constantly bedevil Standard about its long-term future. For months, the stock market has been buzzing with rumours of a proposed break-up. According to one version, the group would be split into its component parts — the Standard Bank in Africa, and the Chartered Bank in the Far East — and sold off to other banks.

The reasoning behind these stories was that Standard Chartered's present structure has little logic to it, and that its various bits would be more valuable to other, more dynamic banks, seeking to expand into new geographic areas.

But Mr Galpin categorically denied yesterday that asset sales were on the cards. He was much keener to disentangle the improvements in Standard's underlying performance from all the bad news, as evidence that the recovery strategy he launched last year is working.

One indicator is that Standard's continuing businesses boosted their profits by 30 per cent last year. The cost ratio of these businesses (the ratio of costs to income) fell to 64.2 per cent last year from 65.9 per cent, extending a three year decline, which is a healthy trend.

Over the last 12 months Standard has also sold a couple of extravagantly large headquarter buildings at a profit of £290m, and reached an agreement with the Westdeutsche Landesbank to sell its continental European business and set up a joint merchant banking venture. This has enabled Standard to raise its capital ratio above last year's low, when they were scraping the internationally agreed minimum.

A further positive step has been the reduction of exposure to LDC (less developed countries) debt. Thanks to an active asset trading programme, the total was reduced last year by nearly $1bn to $1.97bn, excluding loans to South Africa and loans to Mexico which are being strengthened under the Brady Plan.

"The results for 1989 do not yet reflect the considerable developments which have taken place within our group nor the underlying quality and value of the group's reshaped business," Mr Galpin said.

But if all this adds up to better promise in future, Standard has proved fallible so often in the past that Mr Galpin will still have to work to convince the market. It is hard to think of any major banking problem to which Standard Chartered does not have any exposure.

Aside from MiniScribe, Standard has £100m out to the troubled Bond group in Australia, another $942m to Brazil, which has suspended interest payments, and there are £500m of loans to highly-leveraged companies.

Mr Brown says the bank is adequately provided to meet any of these problems, and the leveraged loan portfolio is equivalent to only 3 per cent of the group's total advances. Even so, Standard's total provisions to third world countries with financial problems, including Mexico and South Africa, is only 44 per cent, while the other UK clearers range from 52 per cent to over 70 per cent. "The asset quality at this group is always dubious, and MiniScribe just drives that home," commented Mr Peter Toeman, the banking analyst at Phillips & Drew.

A further drag on the bank's bottom line is its vulnerability to UK tax. In a bad year like 1989, the bank does not earn enough taxable income in the UK to claim full offsetting relief on tax paid in foreign countries. Mr Richard Stein, the finance director, said that in a good year, UK taxable capacity would be just about adequate.

Standard's results this year should show some improvements, so long as no more skeletons come tumbling out of the cupboard — a danger now clearly at the front of Mr Galpin's mind. "We can't afford any surprises, and we are determined to avoid them."

Mexican debt eligible for enhancement:	South African debt:	Less developed countries' debt:
Provision as % of exposure 35%	Provision as % of exposure 5%	Provision as % of exposure 62%

Calvet tightens grip on Peugeot

By William Dawkins in Paris

MR JACQUES Calvet, chairman of Peugeot, Europe's third largest car producer, is to take over as head of the group's Automobiles Peugeot subsidiary, following the early retirement of the unit's 64-year-old chairman, Mr Jean Boillot.

This significantly strengthens the influence of Mr Calvet, already chairman of Citroen, Automobiles Peugeot's sister company in the group.

Mr Boillot, who joined Peugeot as a salesman 36 years ago, gave no reason for his decision to retire a year early, beyond telling colleagues that he saw no reason why his age should dictate when he left the group.

However, Mr Boillot is known to have advocated a more sympathetic line than Mr Calvet to labour relations, especially towards workers' pay demands in last year's damaging seven-week strike, in which 4 per cent of Peugeot's annual production, worth FFr3bn ($527m) in sales, were lost.

Mr Calvet had refused to negotiate with the unions, on the grounds that the group badly needed to save cash to invest against Japanese competition, but some of his executives felt such toughness only prolonged the conflict.

Mr Boillot announced his decision at a recent management meeting at the Sochaux plant in north-eastern France, the centre of last year's strike. His retirement and succession by Mr Calvet will be confirmed at the next Peugeot board meeting on March 28.

Automobiles Peugeot said in a statement that Mr Boillot will remain on the board of the car group.

A company spokesman said Mr Boillot had long made it clear that he wished to retire before reaching 65. Peugeot had accepted his request with regret, the spokesman added.

A popular figure at Peugeot, Mr Boillot took over as chairman of the subsidiary in 1984 from Mr Calvet when the latter became head of the group.

Mr Boillot was a leader in the design of the successful 205 hatchback, the 405 saloon and the luxury 605, launched last year as Peugeot's first attempt to take on West Germany's Mercedes and BMW in the executive car market.

He also personally promoted Peugeot's efforts in motor rallies, helping to release group cash for motor sports — an area which he saw as a key to boosting the general image of its cars.

Ransomes deal referred to MMC

By David Owen

MR NICHOLAS RIDLEY, the Trade and Industry Secretary, has decided to refer Ransomes' $150m acquisition of Cushman Group, the North American grass machinery manufacturer, to the Monopolies and Mergers Commission.

The reference is the second involving Ransomes, the 200-year-old maker of grass-cutting machinery, in less than a month. On the last day of February, Mr Ridley referred the group's £9m purchase of Westwood, the garden tractor maker, to the MMC, exactly six months after the deal was announced.

In the case of Westwood, Mr Ridley overruled for the first time in several years a recommendation by the Office of Fair Trading. Yesterday's announcement, which was again made almost six months after the transaction was closed, was in accordance with the OFT's recommendation.

Mr Ridley's concerns regarding the Cushman deal are said to involve the "possible effects on competition in the market for commercial grass care equipment."

Since there are comparatively few instances of overlapping in Ransomes' and Cushman's respective product ranges, the nub of these concerns would appear to be the distribution network, which consists largely of exclusive dealerships.

Mr Ridley is thought to be worried that the purchase of Cushman, which specialises in spikers and turf cutting equipment, gives Ipswich-based Ransomes such dominance in certain segments of the ill-documented market that retailers may feel they cannot afford not to stock its products. Clearly, in an exclusive dealership-oriented environment, such a situation might have anti-competitive effects.

An "incredibly surprised" Mr Bob Dodsworth, chief executive, said Ransomes expects its Cushman dealers to promote the brand properly but there are "a number of instances where our dealers handle rival ranges."

In 1989, the group made pre-tax profits of £14.4m on turnover of £126.6m. The shares closed unchanged yesterday at 170p.

Model proposed for EC takeovers

By Guy de Jonquières, International Business Editor in London

INCREASED harmonisation of European regulations on takeovers, which would remove some commonly-used bid defences and guarantee fairer treatment of shareholders, has been proposed by a study* carried out for the European Commission.

Management consultants Booz Allen & Hamilton, which prepared the study, says it is intended as the blueprint for a European Community "model" for takeovers, which would combine the best features of the widely differing systems prevailing in Britain and West Germany.

As well as proposing more uniform rules for cross-border acquisitions in Europe, the study calls for fiscal and regulatory measures to improve companies' access to capital, sharpen competition between European stock markets and encourage equity investments by institutions and individuals.

The study takes an even-handed approach in assessing the structure of ownership and control in Britain and West Germany, saying each system has strong and weak points in terms of its impact on corporate performance and industrial growth.

It also acknowledges that many barriers to takeovers in Germany and other continental countries are not explicitly designed to repel bids but reflect other factors, including national business cultures and the relatively small number of publicly-quoted companies.

The study recommends seven guidelines for EC action:

- Control of companies, and in particular decisions on defence measures, should be subject to approval by a majority of their shareholders.
- Control restrictions such as agreement and pre-emptive rights should be periodically re-endorsed by a majority of shareholders.
- There should be a ban on mechanisms enabling corporate control to be exercised through shares held by companies themselves, or by their subsidiaries.
- All shareholders should benefit fairly and equally in terms of dividend policy and share price gains and during and after takeovers. Stock exchange authorities should be able to protect minority shareholders effectively and prevent large shareholders from benefiting from privileged information and preferential offers.
- Full disclosure of management accounts, free access to shareholder lists, disclosure of shareholder agreements and of large shareholdings should be made common practice throughout the EC.
- Any EC company making a takeover in another EC country should be subject to the same treatment as companies from that country.
- The EC should adopt a common policy towards non-EC companies making acquisitions in the Community and ensure that its rules take account of takeover regulations in other parts of the world.

Study on obstacles to takeover bids in the European Community; Booz Allen Acquisition Services, 58 Avenue Kléber, 75784 Paris. Tel: 45 05 14 67

INTERNATIONAL COMPANIES AND FINANCE

Reaping big profits from economic chaos

John Barham on how Brazil's banks have benefited from the country's high inflation

BRAZIL'S new government has sent a cold wind of change through the country's financial and stock markets with its drastic anti-inflation plan.

The banks, traditionally big profit earners, as well as being at the forefront of President Fernando Collor's strategy have been beneficiaries of Brazil's rampant inflation.

Last year was an exceptional year for Brazil's banks, even by their exacting standards. Banco Bradesco, the country's leading private bank, reported a net profit up by 70 per cent to US$354m. Many other big private banks increased earnings by 80 per cent and 90 per cent in real terms.

The banks have profited as no other sector from Brazil's legendary economic chaos. They reaped windfall profits from a government policy that used crushing interest rates to keep the lid on hyper-inflation. It was hard not to make money in a context of high liquidity, high rewards and low risk.

Now the Government of Mr Collor has singled out the banks for special treatment. Financial institutions will be dragooned into financing privatisations and financial operations will be taxed more heavily. In addition revenues are likely to fall abruptly with declining inflation and more stable government finances.

Prices last year rose a record 1,765 per cent. By the end of 1989, inflation was advancing by more than 1 per cent a day.

The banks' super profits came from the widening gap between the cost of money based on past inflation and interest income calculated on projected future inflation rates.

Telephone number interest rates discouraged all but the most desperate borrowers. The Government — virtually the only big borrower left in Brazil — was paying real gross interest rates of up to 60 per cent a year to finance its local currency debt on the overnight money market.

That explains how bank profits almost doubled in spite of a sharp fall in deposits and lending at most of the big banks. Banco Itau for instance, the second-ranking private bank, said its money market operations more than doubled to $6.48bn. Net profit grew 81 per cent to $248m.

Brazilians avoided leaving more than the bare minimum of loose cash in current accounts. Money market accounts invested in government bills became the investment of choice.

With inflation rising at more than 50 per cent a month by the end of the year, tension in financial markets reached fever pitch. Banco Itau said it executed an astounding 634,000 open market operations daily in December.

Banks still made money out of these indexed accounts because they did not share all the interest income with their clients. Furthermore, banks invested sight deposits as well as their own profits and liquid assets in the money market. A World Bank report leaked in the Brazilian press said current accounts yielded an inflation profit of $37bn to the banks in the years 1985 to 1987.

When inflation temporarily subsided in 1986, earnings tumbled and banks had to cut overheads and fire employees. The banks say they are leaner and more productive now and so better prepared to cope with less inflation.

Competition, always fierce, grew tougher because attracting deposits and lending them to the Government had become the principal source of wholesale bank profits. Competition spurred aggressive marketing strategies and greater segmentation throughout the banking system, a trend that is likely to continue this year.

High inflation meant that time and money became synonymous. Brazilian banks claim to be among the most highly automated in the world since they have invested heavily in computer and telecommunications systems to process cash quickly and profitably.

Automation has meant that taxes, bills and pensions are paid through the banks. Again, inflation turned the cash in transit through the banks into a formidable source of profits.

Not all the banks managed brilliant results in 1989. Banco Nacional, a tired regional bank, was able to raise its profits by "only" 31 per cent. It said it profited less because it adopted a conservative, low-risk strategy. Banco Nacional's policy was so cautious that it chose to reduce open market operations by 22 per cent to $1.2bn, as well as making heavy provisions for bad loans.

However, only Banco do Brasil, a huge government-owned banking conglomerate, achieved the seemingly impossible by reducing net profit a staggering 68 per cent to $97.5m. It blames the atrocious results on defaulting farmers who made it treble provision for bad loans to $1.5bn and a big pay hike awarded its staff by a labour tribunal.

Banco do Brasil may be Brazil's least profitable bank, but it is still the biggest by far, with assets of $67bn. Small investment banks that have opened their doors in recent years naturally have unstable growth curves.

Morgan Guaranty Trust's Sao Paulo branch earned an $11m net profit, giving an outstanding 12 per cent return on assets following a $0.32m loss in 1988. Last year it was Bankers Trust's turn to tumble, when its investment banking arm made a profit of just $0.33m in its first year of operation.

Its return on assets was slightly lower than at Banco do Brasil. A more successful new entrant was Banco BBA Creditanstalt SA, part-owned by Vienna's Creditanstalt Bankverein, which reported $12.6m profit.

The outlook for the banks this year is at best uncertain. President Collor has carried out his promise to punish those who profited from inflation. But the most damaging punishment may well be substantially lower inflation rates.

Bankers are already resigned to losing money in the first half and by one calculation, Brazilian banks need monthly inflation rates of more than 6 per cent to stay in the black.

BRAZILIAN BANKS RANKED BY PROFIT

	Net profit ($m)	% change	Assets ($bn)	Return on assets (%)
Bradesco	353.6	+69.6	19.45	1.82
Itau	248.0	+80.8	13.67	1.81
Do Brasil	97.5	-66.0	67.00	0.15
Unibanco	73.2	+97.3	5.76	1.27
BCN	34.4	+71.0	3.66	0.94
Nacional	22.3	+31.4	4.30	0.52

Source: Bank balance sheets

Standard Chartered Australian unit in red

By Chris Sherwell in Sydney

THE LISTED Australian banking subsidiary of the UK's Standard Chartered was pushed into the red last year by further hefty provisions for bad loans, reflecting its exposure to troubled or collapsed local companies confronting a prolonged credit squeeze.

The 72 per cent-owned Standard Chartered Bank Australia suffered an after-tax loss of A$54.2m (US$40.9m), compared with profits of A$3.2m in 1988, or A$8.33m after extraordinary items.

Similar difficulties confront other domestic and foreign banks in Australia. Last week the local offshoot of Hongkong and Shanghai Banking Corporation announced a net loss for 1989 of A$31.6m, compared with a profit of A$10.8m in 1988.

On the other hand the local unit of Deutsche Bank yesterday announced it had lifted its 1989 profits to A$5.1m from A$1.9m.

Standard Chartered said it had added another A$38m to its first-half provisions of A$32m, and acknowledged the new provisions were "primarily related to problem credit facilities in the bank and merchant bank."

Mr Elrvin Knox, managing director, would not confirm the names of individual borrowers against which provisions were made, but said they were "broadly spread" and their problems reflected the general economic downturn.

The bank said it believed its current assessment of all known risks was "appropriately covered by existing provisions," but "non-performing assets will continue to impact operating results negatively."

Adding to the overall loss were some A$10m in expenses associated with reorganisation following a stringent review of costs. This resulted in staff redundancies, including the removal of senior management from the merchant bank, which is to focus more on corporate advisory work.

The Australian operation will now concentrate on "maximising the advantages of trading with other Standard Chartered offices in the Asia Pacific region, especially in the areas of trade finance, treasury and advisory services for corporates and high net worth individuals."

No dividend is being paid for 1989. Last year it paid 4.5 cents per share.

CS Holding takes on Ohio Mattress bridge loan

By Janet Bush in New York

CS HOLDING, the parent company of First Boston, the Wall Street securities house, yesterday confirmed that it had bought $250m of a $450m temporary bridge loan to Ohio Mattress. First Boston acknowledged last month that it had $935m in temporary bridge loans to Ohio Mattress, AMI, and Jerrico as well as $257m in non-performing loans to Campeau Corp's bankrupt Federated Department Stores subsidiary.

CS Holding said in late February that it was examining the possibility of taking on some of its US subsidiary's bridge loans, including a bridge loan to Ohio Mattress.

A junk bond offering last summer was planned to convert the temporary bridge loan to Ohio Mattress into permanent financing but had to be cancelled because market conditions had seriously deteriorated.

First Boston was, therefore, left sitting with an illiquid loan on its books. Moody's Investors Service and Standard & Poor's, the credit rating agencies, were in discussions with First Boston in January about dealing with its bridge loan exposure. They are believed to have confirmed their ratings on the understanding that, if necessary, the parent company stood behind First Boston.

The rating agencies expressed satisfaction with the steps First Boston had taken to deal with its bridge loan exposure. First Boston has been considering various options over the last two months including refinancing its bridge loans through a series of private placements, hanging onto them until market conditions improve and selling them to its parent company. A First Boston spokesman said yesterday that the company had substantial investor interest in many parts of its bridge loan portfolio.

Kuwait Petroleum buys Italian interests of Mobil

By Steven Butler

KUWAIT PETROLEUM Corporation (KPC) is significantly expanding its presence in the Italian oil industry with the $300m acquisition, announced yesterday, of the Italian marketing and refining interests of Mobil, the US oil company.

The acquisition will boost the KPC market share from about 3 per cent currently to 10¼ per cent in the retail market and 11 per cent in the industrial market following completion of the deal in late May.

The deal includes a 100,000-barrel-a-day refinery and an associated aromatics plant in Naples and 2,000 service stations throughout Italy. The final price depends on the balance sheet on the date of closing.

This latest acquisition will make Italy the fourth European market where KPC — which sells its petrol under the Q8 brand — has a large commercial presence. KPC said yesterday it had 20 per cent of the Danish market, 12 per cent in Sweden and 7 per cent in Belgium. It also has smaller positions in the UK and the Netherlands.

Mobil said that the outlook for achieving a fully competitive fuels business in Italy was uncertain and that it would use the money realised in the sale to strengthen its position in other markets.

It would retain its lubricants business and establish a company for this purpose.

Mobil's chemicals business in Italy would also be retained and Mobil said it was not withdrawing from other European downstream markets.

It said the sale was consistent with a company strategy of focusing on areas of strength.

Merger costs hit Federal Express

By Karen Zagor in New York

FEDERAL Express, the express delivery company, suffered a decline in profits for a fifth consecutive quarter, reflecting the cost of assimilating Tiger International, the cargo airline it acquired for $880m last year.

Net income for the third quarter ended February 28 plunged 79 per cent to $5.2m or 10 cents a share from $24.8m or 47 cents. Revenues grew 35 per cent in the latest three months to $1.73bn from $1.28bn in 1989.

Third-quarter operating profits declined 28 per cent to $61.7m from $85.6m, while pretax profits fell to $10.9m from $63.3m. This was attributed to increased non-operating expenses of melding Tiger International and other acquisitions with the company.

Mr Frederick Smith, chief executive of the Memphis-based company, said: "Although fine-tuning in certain areas will continue, we believe the toughest parts of the merger are behind us."

Mr Smith attributed the weak third quarter earnings to "seasonal weakness in the international heavyweight business combined with international air cargo volume that remained below planned levels."

Earnings were also hurt by higher-than-expected expenses for air operations, due to increased fuel prices, high maintenance costs and the difficulties of allotting seniority rights between Tiger's and Federal Express's senior pilots.

Federal Express said its third quarter operating income was hit by a string of unusual problems, including a volcanic eruption in Alaska which disrupted operations at the Anchorage hub, large storms in Europe and a computer problem at its Memphis hub before Christmas.

The company said net profits for the first nine months dropped 49.5 per cent to $72.6m or $1.37 from $143.6m or $2.75 a year earlier. Revenues advanced 45.7 per cent to $5.1bn from $3.5bn.

Mutual fund and life side boosts Power Financial

By Robert Gibbens in Montreal

POWER Financial, the financial services group controlled by Montreal financier, Mr Paul Desmarais, reported sharply higher earnings for 1989, thanks to the strength in its life insurance and mutual funds subsidiaries.

The company's net profit was C$202.1m, (US$170.6m) or C$2.24 a share, up from C$161.7m, or C$1.78 in 1988 while fourth-quarter earnings also advanced to C$52.3m, or 58 cents a share, ahead from C$41.8m or 46 cents a year earlier.

After special items, final 1989 earnings were C$301.2m, or C$3.42, against C$157.6m or C$1.73 last time.

The special items included a gain of C$99m, mainly from the sale of Montreal Trustco to BCE and its share of a write-down taken by Geneva-based Pargesa on its investment in Drexel Burnham Lambert of New York. Power Finance recently increased its holding in Pargesa from about 22.5 per cent to 25 per cent.

At the end of 1989, Power Finance had C$368m in cash and short-term investments.

Great-West Lifeco, its largest subsidiary, earned C$108.7m. or C$1.39 in 1989, ahead from C$95.5m or C$1.23 the year before. Investors Group lifted earnings to C$50.3m, or C$2.04, from C$41.7m, or C$1.68 last time.

Power Corporation, of Canada, Mr Desmarais's holding company, through which he controls nearly 70 per cent of Power Finance and other non-financial interests, reports later this week.

Poulenc merger with Rorer 'will lead to growth'

RHONE-Poulenc, the French chemicals group, and Rorer Group, the US pharmaceuticals concern, have projected that the corporation created by their proposed merger will generate considerable growth in net income in the years to 1994, AP-DJ reports.

In a filing with the US Securities and Exchange Commission, the companies projected net income of $7m in 1990, or 13 cents per share which includes provisions of $218m before taxes in 1990 for one-time costs related to the merger.

They estimate that Rhône-Poulenc Rorer's net income will be $328m, or $4.86 in 1991 based on revenues of $4.65bn. In 1992, they project an increase in net income to $462m, or $6.84, based on revenues of $4.66bn.

For 1993, a further advance in net income is predicted, to $600m or $8.89, based on revenues of $5.28bn. Finally, the companies estimate net income of $743m or $11.01 on revenues of $5.9bn for 1994.

The companies said their projections were based on several assumptions, including increases in sales of existing products and reduction of sales in certain markets from overlapping products.

Cavendish disappoints with HK$1.02bn

By Angus Foster in Hong Kong

CAVENDISH International, part of Mr Li Ka-shing's Hong Kong business empire, yesterday reported disappointing results for 1989 and a lower-than-expected dividend.

Net profits grew 7.2 per cent to HK$1.02bn (US$130m). The company is proposing a final dividend of 14 cents a share which, combined with the interim payment of 7 cents, makes a total dividend of 21 cents, just 5 per cent better than in 1988. The company's earnings per share improved 6.1 per cent over the same period.

The figures prompted renewed speculation that Mr Li is preparing to take the company private. Most of Cavendish's property development is nearing completion while its 21.5 per cent stake in Husky Oil of Canada and 34.6 per cent in Hongkong Electric are likely to provide strong earnings growth from 1991.

Mr Li's Hutchison Whampoa, which now controls about 65 per cent of Cavendish, has been steadily increasing the stake since Cavendish was separately listed in 1988. Later in the same year Mr Li took private Green Island Cement, another company in his group, just as it started an earnings recovery.

Mr Simon Murray, Cavendish chairman, said higher oil prices in the second half of last year helped Husky Oil match budget projections. The company's wholly owned Hilton Hotel in Hong Kong reported relatively stable occupancy rates last year, Mr Murray said. Profits at most Hong Kong hotels were affected in the second half of 1989 by a slowdown in tourism and by rising costs.

● Zung Fu, the car dealership arm of the Jardine Matheson group, yesterday reported a 42 per cent increase in net profits to HK$247.8m last year and announced it is shifting domicile to Bermuda, the last Jardine controlled company to make the move.

Zung Fu, which makes most of its profits from importing Mercedes cars for Hong Kong's wealthy, is recommending a final dividend of 27 cents per share, which gives a total distribution of 33 cents, compared with 23 cents last time.

● East Asiatic (Hong Kong), the Hong Kong import, marketing and transport unit of Denmark's East Asiatic Company, showed after-tax profit from operations down 52 per cent last year to HK$21m, as China's economic slowdown continued to eat into earnings.

A large one-time gain from the sale of its Taiwan business pushed final profit to HK$79m, up from HK$44m. However, turnover fell 13 per cent to HK$907m. The board proposed cutting its dividend for the year to 3 cents from 9 cents.

Valmet suffers heavy loss after Wärtsilä write off

By Enrique Tessieri in Helsinki

VALMET, the Finnish state-owned engineering and paper machinery group, said losses before appropriations and taxes plummeted to FM267.8m ($67m) in 1989 from a profit of FM282m the previous year. Consolidated net sales saw a 17.7 per cent rise to FM10.02bn from FM8.51bn.

Mr Matti Kankanpää, president and chief executive, blamed a FM360m write off for the bankruptcy of Wärtsilä Marine, one of Europe's largest shipbuilders, in which Valmet owned 30 per cent.

The group's other divisions also did poorly. Valmet's paper machinery division saw its operating income fall to FM40.4m from FM135.1m. the division accounted for 52 per cent of the group's sales.

Profit after depreciation fell 52 per cent to FM75m from FM156.3m. Earnings per share fell from FM3.80 to FM0.70. In spite of the profits setback, the board proposes raising the annual dividend from FM2 a share to FM2.40.

NZ to probe share deals in City Realties

By Terry Hall in Wellington

THE NEW Zealand Securities Commission has begun an insider trading investigation into share deals in City Realties, hours after the country's High Court rejected a commission claim that significant shareholders in the property company had breached disclosure laws and should forfeit NZ$56m (US$32.82m) worth of shares.

Mr Justice McGohan ruled on Monday that Zelas Enterprises, a shelf company which is the owner of the controlling stake in City Realties, was not acting as a nominee for Gulf Resources and Chemicals of the US. Gulf Resources' main shareholder is Mr David Rowland, the Monaco-based British investor who was described in court papers as among the UK's 30 richest people.

The hearing was rushed to allow a meeting of City Realties shareholders yesterday which approved a resolution under which Gulf Resources will inject a NZ$248m property portfolio into the company. The deal will see Gulf Resources end up with a 62 per cent controlling interest.

Mr John Farrell, a commission official, said the inquiry would include an investigation into the ownership of 1m City Realties shares, which had been attributed to a company named Garofil Business.

In the High Court hearing last week Mr Farrell said the commission had been given an address in Monaco for Garofil, however, French authorities said the company did not exist there.

Mr Rowland testified he was not connected with, and had never heard of Garofil.

INTERNATIONAL COMPANIES AND FINANCE

Electrolux president to be chairman of Saab-Scania

By Robert Taylor in Stockholm

MR Anders Scharp, president and chief executive officer of Electrolux, is to be the next chairman of Saab-Scania, it was announced yesterday. He will replace Mr Sten Gustafsson, at the Swedish vehicle and aerospace company's board meeting on April 27.

There is no suggestion Mr Scharp is going to turn his new position into a full-time one. He will continue to remain in charge at Electrolux, where he has worked for the past 30 years. But his appointment at Saab-Scania reflects his growing importance within the Wallenberg group of companies.

His arrival at Saab-Scania, even if it is only in an honorific rôle, will strengthen the company which has been going through severe difficulties over recent months. Mr Georg Karnsund will remain president and chief executive of Saab-Scania.

Yesterday Saab-Scania said the final details of its joint venture with General Motors in car production had been completed. Last week the Swedish government gave its approval for the creation of the concern, Saab Automobile.

The appointment of Mr Scharp follows the recent announcement of the 10-member board of Saab Automobile. This is to be chaired by Mr Robert Eaton, president of GM's European operations. The other GM members of the board are Mr John Smith, GM's Detroit-based executive vice-president; Mr Richard Wagoner, finance vice president in Europe; Mr David Herman, Saab Automobile's president; and Mr Friedrich Lohr, executive director at GM's technical development centre.

The Saab-Scania members of the board are Mr Karnsund; Mr Mauritz Sahlin, president of SKF; Mr Per Lundberg, president of Providentia and two local Swedish union representatives Mr Ove Johansson and Mr Arne Lindqvist.

Banco di Roma doubles profits, but skips payout

By Haig Simonian in Milan

NET PROFITS at Banco di Roma, the smallest of the three commercial banks controlled by Italy's Iri state holding group, more than doubled last year to L103bn ($82.5m) from L45bn in 1988.

However the bank, which has been subject to speculation about a change in its shareholding structure, including stakes by foreign banks, has again passed its dividend.

The decision reflects the continuing need to boost capital ratios, which have fallen behind those of stronger Italian public-sector financial institutions.

Total assets at year-end were L55,036bn. Interest income rose 26.7 per cent to L1,197bn.

● Snia Fibre, the man-made fibres unit of Italy's Snia BPD, said pre-tax profits fell to L34.7bn last year from L41.7bn in 1988, before accounting for minority interests.

The decline in profitability, which follows a 19 per cent drop in 1988, came in spite of a 5.3 per cent increase in group sales to L963bn.

It stemmed from a combination of falling acrylic fibre prices, rising energy costs and higher labour expenses than in neighbouring European countries, said the group.

La Générale pulls out of Club Med and Bouygues

By Tim Dickson in Brussels

SOCIETE GENERALE de Belgique, Belgium's biggest industrial and commercial holding company, confirmed yesterday that it has sold its 2.4 per cent stake in Club Méditerranée as well as a 6 per cent participation in the French construction group Bouygues.

The BFr4.2bn ($120m) proceeds from the deals represent a capital gain for La Générale of BFr100m. But there may be some disappointment that the investments, made as part of a transfer of shareholdings from La Générale's French owner Compagnie Financière de Suez at the beginning of 1989, have not led to a closer relationship.

Besides its core activities, covering a wide range of sectors, the Belgian holding's declared strategy is to devote 15 to 20 per cent of its resources to portfolio investments "of a dynamic nature."

These can have any of four purposes: retention as a contribution to group profits, integration into existing activities, the start of a new activity, or disposal with a capital gain.

Yesterday's announcement means La Générale's investment portfolio is now significantly reduced. The group has 11.7 per cent of Accor, the French hotels group, and small holdings in CGE of France and Royale Belge, the Belgian insurance group.

COMPANY NEWS IN BRIEF

■ Wolters Kluwer, the Dutch publisher, lifted 1989 net profit by 25 per cent to Fl 140m ($73.6m) or Fl 2.89 per share from Fl 112m or Fl 2.37. Turnover rose from Fl 1.74bn to Fl 1.88bn, and the company proposes to pay a dividend for 1989 of 88 cents against 78 cents in 1988, writes Our Financial Staff.

■ Grundig, the West German electronics group which is 31.6 per cent owned by Philips of the Netherlands, expects to report that sales rose 7 per cent in the fiscal year ending March 31 to around DM3.7bn ($2.3bn) from DM3.43bn the previous year, AP-DJ reports.

■ LVMH, Moët Hennessy-Louis Vuitton said it is studying its legal response to a move by the Vuitton family to have a French court investigate the group's link with Britain's Guinness, AP-DJ reports.

Statoil aims at ambitious world-wide expansion

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, is to pursue an ambitious international expansion strategy which calls for the purchase of an oil company with an established crude oil reserves base – ideally with global production.

Mr Harald Norvik, president, said yesterday that Statoil aims to grow in strength, competence and size to compete globally with leading international oil companies such as Shell, Exxon and British Petroleum (BP).

Mr Norvik aims, within the next 10 years, to obtain more than 30 per cent of the company's access to new oil and gas reserves outside Norway. In addition, he aims to acquire shareholdings in foreign gas companies and in foreign gas transportation systems.

Mr Norvik forecast that by the turn of the century Statoil's annual natural gas exports would increase to more than 50bn cubic metres (bcm) from 30bcm with a European market share of between 15 and 25 per cent.

Mr Norvik pointed out that by next year Norway could overtake Britain as western Europe's largest crude oil producer, while entering the league among the world's top 10 crude oil producers.

As the oil industry is technologically demanding, risky, and demands long lead times for projects, Statoil would have to grow to compete successfully internationally.

Mr Norvik hinted that to fund such an ambitious expansion strategy it could be in Statoil's best interest to be partially privatised, though it is necessary for the state to maintain a majority shareholding. However, a problem would be the limited size of Norway's capital market.

In this he suggested that strategic alliances outside Norway, technology co-operation agreements, cross-shareholdings between companies and a joint market apparatus would be interesting ways of strengthening Statoil. He said: "Our vision must be to compete within 20 years with Exxon and Shell on the other side of the globe."

Galerias Preciados begins to sparkle

Tom Burns looks at the Spanish jewel in Anglo-American property group Mountleigh's crown

Galerias Preciados, the Spanish department store chain, is not only the largest single asset owned by Mountleigh, the Anglo-American property trading and investment company. As a candidate for sale and flotation, it is also the "jewel in the Mountleigh crown."

That, at least, is what Mr Peter Carr, Galerias' chief executive, says he is told by Mountleigh's current bosses, US entrepreneurs Mr Nelson Peltz and Mr Peter May, and Mr Carr is busily polishing the precious stone.

In January, when Mountleigh reported a fall in its half-year 1989 overall profits from £24.8m to £20.4m ($33m), Mr Jeff Warren, finance director, said floating Galerias was "the most likely outcome" although all options areopen.

Brought into Galerias by Mountleigh's former chairman Mr Tony Clegg in March 1988, six months after he had acquired the 30-store retail chain, Mr Carr has presided over a turnround that has converted the department store's 1988 losses of Pta8.6bn ($79m) on sales of Pta74.6bn to profits of Pta3.9bn last year on sales of Pta85.4bn.

Mr Carr, a former head of Debenhams and of Queensway in the UK, now confidently expects a further improvement in this year's results.

Evidence of a firm reversal in Galerias' previous fortunes and of a second profitable year are key ingredients in the department store's mooted flotation, as Spanish stock exchange rules require a company seeking a listing to demonstrate profits over at least the previous two years.

Speculation that Mr Peltz and Mr May will be tempted to dispose of Galerias' estimated £473.6m worth of gross property assets has in the meantime been fuelled by their decision at the begining of this year to engage McKinsey, the consultants to take a close look at the department store.

So far as Mr Carr is concerned, putting Galerias into the black has been a question of injecting capital and good management into a company that was operating in an expanding environment.

"Spain is a virgin market," he says, "and basic things win." Galerias, however, appeared to be a daunting property for testing such theories. "Galerias' image was like that of British Leyland in the 1970s," says Mr Anthony Pralle of the Boston Consultancy Group, which has been advising the retail chain for the past three years. "People used to crack jokes about it in pubs."

Nelson Peltz and Peter May: group is the jewel in their crown

The department store chain was bailed out by a domestic bank 20 years ago after consistently losing ground to Spain's premier retail chain, El Corte Ingles. After languishing further, it was sold to the Rumasa group only to find itself expropriated by the state in 1983, along with all the other Rumasa assets, when the socialist Government crossed swords with the holding's founder and chairman, maverick tycoon Mr Jose Maria Ruiz-Mateos.

The Government sold Galerias to Organizacion Diego Cisneros, a Venezuelan industrial group, for a knockdown price two years later and Galerias built up an accumulated loss of £135m between 1985-87. In October 1987 Mr Clegg acquired the department store from the Venezuelans for £153.4m in cash claiming that Galerias had "a major role to play in the diversification and expansion of the Mountleigh group into European retail, leisure and financial markets."

Mr Carr accordingly introduced "basic things" such as stock control. When he took over he discovered that at any one time in a Galerias store "continuity essentials" – white underpants and the like – were 22 per cent out of stock and that there was no way of knowing, for example, how many size 12 long yellow blouses had been sold in a store on a given morning.

The out-of-stock ratio has now been brought down to 8 per cent and Mr Carr is able, with the touch of a computer key, to spot what the trade calls "dogs," the goods that do not sell.

He also quickly identified the retail company's two main problems: "We had a low density and our range was the same as everyone else's." What irked Mr Carr was that only one out of every five persons who entered a Galerias store actually bought anything.

The latest is that 2.75 of every five who cross a Galerias threshold now make a purchase. This is in part because, under a big redesign programme, Galerias has crammed its available space with "shops-within-shops" and, in part, because the company has radically altered its own buying policy.

Mr Carr says that under previous managements "Galerias was dominated by accountants and nobody ever talked merchandise. The accountants considered the customers a bloody nuisance."

An initial "shop-within-shop" selling directly to the public on Galerias premises in return for a 10.5 per cent rental on turnover was Ivarte, a leading Spanish electrical retailer which is owned by European Home Products. Ivarte's example was followed by retailers that were familiar to the Spanish tourist in London's Oxford Street such as Top Shop and Dorothy Perkins while Mothercare and Marks and Spencer, among others, began selling in Galerias under franchise.

By riding piggy-back on Mountleigh, a selection of British high street giants were able to reach the Spanish public in Spain via the department store's prime site locations in 22 cities including Madrid, where there are six Galerias centres, and Barcelona, where there are two.

In the meantime Mr Carr has overhauled the Galerias purchasing strategy. "Our buyers didn't speak English and they bought solely in Spain. They were also buying badly with an average 15 per cent mark-up," he says.

In the past two years, eight new chief buyers have been appointed, five of whom, including three women, are non-Spanish and one eye-catching result of the shake-up is that imported clothing now represents 40 per cent in place of 10 per cent of Galerias' stock.

Mr Carr is adamant that as much as 65 per cent of the department store's overall business will be in clothing.

Other milestones in the Galerias turnround have been the reduction of the labour force by 1,800 to 7,500, in spite of the opening of a new store in a southern suburb of Madrid, and the sale of 14 properties to a Mountleigh subsidiary.

Thanks to the property deal, which netted Galerias Pta30bn in cash with a further Pta12bn pending, and to the sale of 51 per cent of the retail chain's credit card business to Crédit Agricole de France, Galerias is now debt-free.

Mountleigh has in the meantime allocated Pta15bn for the company's expansion and negotiations are in progress to open eight more stores in Spain and a further three in Portugal.

"Store shoppers are in the 35 to 45 age bracket which is declining in Europe but not here," says Mr Carr. "In Spain 35 per cent of the population is under 25 years old and 28 per cent is under 18."

Whatever doubts there may be about the future ownership of Mountleigh's "jewel," there appears to be none whatsoever, in advance of the McKinsey report, about the potential market for a soundly capitalised and well-managed department store on the Iberian peninsula.

INTERNATIONAL COMPANIES AND FINANCE

Tax cuts lift consumer optimism

Martina Schuster on the prospects for West Germany's store groups

West German stores groups hope to benefit from an expected increase in demand

The East German election results may have brought unification of the two Germanys closer, but meanwhile West German store groups are hoping to benefit from the impact of immigrants attracted to the west by higher living standards.

Even so, retailers expect that tax cuts and the positive attitude of consumers, rather than the impact of thousands of East German immigrants, will be the main causes of the rising consumption widely forecast for 1990.

German analysts reckon that, with about DM25bn ($14.7bn) of tax cuts coming into force this year, consumption will grow by between 3 and 4 per cent in real terms, compared with 1.5 per cent in 1989. The tax cuts are part of the third stage in West Germany's tax reform programme.

According to Mr Herman Remsperger, chief economist of the Berliner Handels-und Frankfurter Bank, there will be a shift towards domestic demand and away from external influence within the German economy.

Immigrants will affect about 0.5 to 1 percentage point of estimates on the growth of consumption, said Mr Franz Josef Link, economist with the Institut der deutschen Wirtschaft, an economic institute based in Cologne.

Horten, the Düsseldorf-based store group owned by BAT Industries of the UK, saw the tax cuts as the main reason for optimism over sales. "Each month the earners will find more money in their bank accounts," it said. "Horten hopes, of course, that people will use a large amount for shopping." The company, with 52 stores and 16,000 employees, had turnover of DM3.02bn last year and expects sales of furniture and textiles to rise.

Another retailer, Hertie, said: "German consumers are willing to buy." The company, with 62 stores, 34,700 employees and a turnover of DM6.18bn in 1989, expects to increase sales, especially for electrical appliances, toys, books and consumer electronics, the big-sellers last year.

At the fast-growing Douglas company, formerly Hussel, an official said: "The tax cuts will make perfume, cosmetics and ladies' fashion the winners for Douglas in 1990. The company has 991 shops with 10,000 employees and is the owner of the Douglas perfume and cosmetics outlets. At DM2.1bn its turnover last year exceeded DM2bn for the first time."

Mr Link said: "It is the middle class which primarily profits by the third step of the tax reform in West Germany." People are expected to save some of this money, "but nevertheless tax cuts are one of the most important reasons for the expected rising consumption."

Another essential factor is the increase in the number of employees, explained Mr Reiner Schröder at Dresdner Bank in Frankfurt. As a result of the strong economy there has been an increase in employees since the middle of 1988. For 1990 about 300,000 extra employees are expected.

According to Mr Link, this year's salary negotiations in the private sector will probably result in wage rises of about 5 per cent. This would not produce price rises and could result in rising consumption.

Karstadt, one of the largest retailers, based in Essen, said that in spite of having about a dozen stores near the East German border their sales were only slightly affected by people from East Germany. "Our company regards the expected wage rises as more important for optimism on sales, behind tax cuts and the positive consumer attitude," a spokesman said. Karstadt expects good sales for furniture and entertainment electronics. In 1989 the company recorded DM14.8bn turnover with about 66 000 employees.

Horten, like Karstadt has not noticed an increase in consumption caused by people from East Germany. "Our company has no shops near the border with East Germany. This may be an explanation."

Only the sales of down-market stores such as Asko and Kaufhalle, a Kaufhof unit which was recently partially floated on the stock exchange, are really affected by East German shoppers.

Asko said: "People from East Germany appreciate our low-priced food and all the other cheap products." The company, which has many shops near the border with East Germany and in West Berlin, has a turnover of about DM15bn. Asko expects good sales for groceries and furniture.

At Kaufhof, which had a DM13bn turnover last year, an official said: "Particularly our low-price store chain Kaufhalle has noticed rising sales with the influx of East German people." It has 19 stores near the border with East Germany. Kaufhof believes that the cheap clothing, shoes and household goods offered by Kaufhalle will be of special attraction to immigrants. The entire Kaufhof company, which is based in Düsseldorf, expects high sale rates for hi-fi, video and furnitures.

Hertie, in common with most of the other big store groups has not noticed that its sales have been influenced by shoppers from East Germany. "Generally there are two different groups of people coming from East," it said. "On the one hand, people who arrive just for a visit, and the immigrants on the other. Concerning consumption, the first group is negligible."

Mr Schröder added: "From the point of view of the national economy, visitors from East Germany are not very important for the consumption."

More important could be the people who come to live in West Germany. They need clothes, furniture and other household utensils, said Hertie. However, Hertie's sales were not strongly affected by that group either.

Most companies are interested in increasing consumption by doing business in East Germany. "There are several exploratory talks going on," Horten said. However, it is still too early to fix opening dates for shops in East Germany.

"There are not only difficulties in getting a licence but also a lot of problems concerning the currency," Hertie explained.

Kaufhof said: "Generally our company is open for joint ventures with East Germany but we are still waiting for a better legal prerequisite."

With people coming from East Germany and other eastern countries and with many looking for asylum, about 1m immigrants settled in West Germany last year with another 500,000 expected this year.

Mr Link said that compared with 60m West German inhabitants the influence of another 1m or 1.5m people would not be very strong. Furthermore, immigrants did not have much money and they needed to find work and to settle before they could really affect consumption.

Airline credit ratings are likely to slide – Moody's

By Paul Abrahams

MOODY'S, the global credit rating agency, has warned that the global airline industry's credit quality is likely to deteriorate during the next three to five years.

In a new report, the company says that increasing costs during this period will squeeze profit margins and make operating profits volatile.

The huge capital investments required to re-equip fleets with modern jets will increase debt, as will expansion, acquisitions, recapitalisations and equity pacts with other airlines.

In addition, airline profits will be adversely affected by the increasing cost of labour, maintenance, equipment rental, security and fuel. In some parts of the world kerosene prices rose during the 1989 final quarter by 35 per cent. On average fuel costs represent about 18 per cent of the operating costs of an airline.

Moody's argues that such costs will not be offset by growth in civil aviation and increases in productivity provided by more rational pricing, wider use of sophisticated yield management systems and of computer reservation systems.

However, the report suggests that earnings volatility will be most apparent among US airlines, so the US industry's credit ratings are most at risk.

The report argues that much depends on whether takeover activity – which would increase debt – picks up in the US. It argues that airlines are poor targets for leveraged buy-outs because the industry is highly cyclical, earnings are volatile, future capital requirements considerable and the risk of terrorism affecting earnings great.

It says that if merger mania should return, the industry's creditworthiness could fall into the high-risk B category. At present, debt ratings of US carriers are, on average, in the Ba2 category: Continental, Pan Am, Trans World Airlines and Eastern Air Lines are all at B2 or below. Only American and Delta are rated at A1.

European airlines face fewer risks, states the report. It believes that deregulation will be managed at a steady pace by the authorities in Brussels. The mistakes made in the US associated with excessive liberalisation which resulted in frenetic competition during the 1980s should not be repeated.

It expects the financially strong European carriers to become increasingly strong, while the smaller airlines will become more vulnerable. The extent of that vulnerability will depend upon the willingness of national governments to stop supporting national airlines.

Other factors that should allow the European airlines' ratings to remain steady include difficulties for new-entrant start-up carriers and the risk of privatisation, which, argues the report, should create a business focus that reduces government interference and bureaucratic excesses.

However, it argues that European airlines' growth, both in their own regions and globally, will be limited by infrastructure problems. These include lack of take off and landing slots, runway capacity and terminal facilities.

The company estimates that long-term ratings for European airlines will be firmly in the A rating category, and that the strongest carriers could merit Aa ratings.

Credit outlook: the global airline industry, published by Moody's Investors Services.

Exportfinans posts 28% rise

By Karen Fossli in Oslo

EXPORTFINANS, the financing and export credit institute of the Norwegian commercial banks, has reported a 28 per cent rise in operating income to NKr249m ($38m) for 1989, while assets grew by NKr1bn to NKr26bn.

Exportfinans said the good result was largely due to favourable funding terms, effective financial management and low operating costs, which amount to 0.24 per cent of the company's total assets.

In 1989 Exportfinans disbursed NKr2.9bn in loans aimed at promoting Norwegian exports, while loans on market terms (unsubsidised) accounted for nearly NKr2bn.

Though the company incurred no loan losses in 1989, a general provision of NKr142m was made against possible future losses.

After the loan loss provision, Exportfinans posted an operating result of NKr107m in 1989, against NKr62m in 1988. Return on equity rose to 19.3 per cent from 19 per cent.

Den norske Bank (DnB), Norway's largest commercial bank formed by a merger between Bergen Bank and Den norske Creditbank (DnC), is to reduce its shareholding in Exportfinans from 49.7 per cent to 24.8 per cent, or equal to that held by Christiania Bank, Norway's second largest bank.

Greece increases private banking

By Kerin Hope in Athens

GREECE'S central bank has issued a licence for a new private bank to be set up by a Greek ship owner as part of its policy of promoting competition in a market dominated by the state-owned banks.

The Dorian Bank, owned by Mr Yannis Mavrakakis, will open in Athens in September with equity of Dr3.2bn ($14m).

Under the terms of its licence, the bank's capital must be increased by at least 25 per cent after two years in operation and its shares must be listed on the Athens Stock Exchange.

Another financial institution will acquire a stake of at least 20 per cent in the bank, the central bank said.

"There is room for efficient, flexible private banks which provide more services to clients," it said, adding that at least two more new private banks were expected to receive operating licences in the next few months.

More than 80 per cent of the Greek banking market is held by the state-owned banks, which are modernising, but only slowly.

However, the two privately owned Greek banks have shown considerably increased returns on equity in the past two years.

Mr Pantazis Kaltsounis, a Dorian Bank official, said the bank would "offer traditional services and also try to develop merchant banking activities," but that it would not be involved in ship financing.

He said negotiations were already under way with a foreign bank which would be offered participation of up to 25 per cent in advance of the Bank of Greece deadline.

Japan's brokers seek ways to halt market fall

THE LEADING Japanese brokerage houses plan to propose that the Ministry of Finance relax some market regulations to stem growing anxiety over the decline of the stock market, Reuter reports.

The proposals stem from an emergency meeting of general managers for the big four brokerages – Nomura, Daiwa, Nikko and Yamaichi – on Monday, one of the houses said.

The houses' suggestions will include a relaxation of limits on institutional stock management and brokerage stock dealings, changes in institutional accounting methods and disclosure of arbitrage positions, the brokerage said.

"These are not at all formal requests, but we shall tell the ministry our hopes on behalf of all investors who feel uneasy about the stock market."

● Yasuda Fire and Marine Insurance is to suspend a planned issue of 50m new shares. The company said this month that it would call off the issue if its shares fell below the issue price of Y1,091.

Indosuez's Malacca fund to raise $52m

By Deborah Hargreaves

THE $35M Malacca fund which was launched by Banque Indosuez in January last year is raising an additional $51.8m with a new placement of shares.

The fund has ridden the wave of popularity for the world's emerging markets and is attracting investors eager to gain exposure in the Far East.

By the end of last year, most of the fund was invested, with half its cash allocated to Malaysia, 30 per cent to Indonesia and 7 per cent to companies elsewhere which had significant operations in the two countries.

● Thai Capital Fund, a non-diversified, closed-end management investment company, has filed with the US Securities and Exchange Commission for an offering of 5m common shares, AP-DJ reports.

The fund said its investment objective was long-term capital appreciation. The fund will maintain at least 75 per cent of its total assets in equity securities of various Thai companies.

The fund plans to offer the shares in concurrent offerings in the US and abroad. Daiwa Securities America will co-ordinate certain activities of the US and international underwriters, the filing said.

The fund said it believed that, due to the small size and relatively illiquid nature of the Thai securities markets, it could take up to six months after the date of completion of the offering to invest at least 75 per cent of its total assets, in accordance with the investment objective.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅝ 93	140	100⅞	101⅛	0	+0⅛	9.18
B.F.C.E. 8⅞ 94	175	96¼	96⅝	-0⅛	-0⅛	9.39
B.F.C.E. 9¼ 95	150	99⅛	99⅝	0	+0¼	9.38
Brit. Tel. Fin. 9⅜ 98	250	†99	99½	0	0	9.49
Canada 9 96	1000	99⅜	99⅞	-0¼	+0⅛	9.08
C.C.C.E 9¼ 95	300	99⅜	99⅞	-0⅛	-0⅛	9.38
Cr.Local France 8⅞ 99	250	95⅝	96	-0¼	0	9.48
Credit National 7⅞ 92	100	96⅜	96⅞	0	-0⅛	9.20
Credit National 9½ 92	160	†100¼	100¾	0	+0⅛	9.26
Denmark 8¼ 94	150	†95⅝	96⅛	0	+0⅛	9.41
E.E.C. 7 91	100	96½	97	0	+0⅛	9.10
E.E.C. 10 93	140	†101⅝	102	0	-0⅛	9.30
E.I.B. 8½ 99	150	94⅛	94½	-0⅛	0	9.42
Eurofima 10¼ 93	100	†101⅞	102¼	0	-0¼	9.33
Elec. De France 9½ 99	200	†100⅛	100¼	0	+0⅛	9.46
Euro.Credit Card Tst. 9 95	750	97⅛	97⅝	-0½	-0⅛	9.69
Finland 9 96	250	98⅛	98½	+0⅛	+0⅛	9.34
Finn.Exp.Cd. 8½ 92	200	98⅜	98⅞	0	+0⅛	9.29
Finn. Exp. Cd. 9⅜ 95	200	†99⅜	99⅞	0	-0⅛	9.47
Ford Motor Credit 8 91	250	†98⅝	99⅛	0	0	9.21
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅛	101½	0	-0⅛	9.15
G.M.A.C. 8¾ 94	500	†96¼	96¾	—	—	9.69
G.M.A.C. 9 96	300	97	97⅜	+0⅜	+0¼	9.61
Gen.Mtrs.Corp. 9¼ 92	200	†99¼	99¾	0	+0⅛	9.33
Honda 9⅝ 97	300	98⅞	99¼	0	+0⅛	9.80
IBM Credit Corp. 8⅝ 92	400	98⅝	99⅛	0	0	9.09
IBM Credit Corp. 8⅞ 91	250	†98⅞	99⅜	0	0	9.42
IBM Credit Corp. 9 92	250	99⅝	100	0	+0⅛	9.14
IBM Credit Corp. 9½ 92	250	100⅜	100⅞	0	+0⅛	9.12
Italy 8½ 94	1500	96⅝	97	0	0	9.34
Italy 9½ 95	1000	100⅛	100⅝	-0⅛	-0⅛	9.39
Italy 9⅝ 99	1000	100⅞	101⅛	0	+0⅜	9.45
Itoh C. W/W 4⅝ 94	1000	†92½	94	-0⅝	-4½	6.48
Japan Dev. Bank 10 96	200	102⅜	102¾	-0⅛	+0⅛	9.43
KFW Intl. Fin. 9 94	300	98¼	98¾	0	0	9.40
L.T.C.B. of Japan 8¾ 96	200	95⅝	96⅛	0	+0¼	9.62
L.T.C.B. of Japan 9¼ 92	200	†99	99½	0	0	9.54
New Zealand 9 94	850	97¾	98⅛	-0⅛	0	9.58
Nippon Tel.&Tel. 8½ 96	200	95⅛	95⅝	0	+0⅛	9.44
Nippon Tel.&Tel. 9⅜ 98	250	99⅜	99¾	0	+0¼	9.45
Norway 8¾ 93	500	†98¾	99¼	0	+0⅛	9.14
Oesters Kontbk. 9¼ 94	350	†99⅜	99⅞	-0⅛	0	9.50
Sumitomo Corp. W/W 4 93	1500	†101	102½	-0¼	-2	3.42
Sweden 8¾ 96	200	97⅜	97¾	0	+0¼	9.28
Toyota Mtr.Corp. W/W 4 93	1500	†95½	97	+0¼	-1⅛	5.29
Victorian Rep 11⅝ 92	150	103⅝	104⅛	0	0	9.48
Union Bk. Switz. 9⅛ 02	225	96¾	97¼	-0⅛	0	9.55
World Bank 8⅜ 99	1500	95½	95⅞	0	+0¼	8.89
World Bank 9 97	300	†98⅜	98⅞	-0⅛	+0⅛	9.25
World Bank 9 93	300	99⅝	100	0	+0¼	9.01
World Bank 9¼ 98	300	99	99⅜	-0⅛	-0⅛	9.39
World Bank 9⅝ 99	500	101⅜	101⅝	0	+0¼	9.36
World Bank 9¾ 96	300	†101½	101⅞	0	+0⅛	9.38

Average price change... On day -0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	87⅞	88⅛	0	+0⅛	9.29
Austria 6⅜ 99	750	85¾	86¼	-0½	+0⅝	9.08
Bk.Frgn.Econ.USSR 7 96	750	†88	89	+0¼	+1¼	9.60
Bank of Tokyo 5¾ 93	100	91¼	91¾	0	0	9.17
Commerzbank o/s. 5⅜ 93	300	90½	91	+0⅜	0	9.25
Credit Foncier 6¾ 99	500	†85	85½	0	+0½	10.34
E.I.B. 6¼ 99	600	82¾	83⅝	-0½	+0¼	9.12
E.I.B. 6½ 99	300	83⅞	84⅝	0	-0¼	9.15
E.I.B. 6⅝ 96	600	88⅞	89⅛	0	+0½	9.12
E.I.B. 6⅞ 95	300	90	90⅝	-0⅜	-0⅛	9.14
E.I.B. 8 2000	500	94⅞	95⅜	-0½	0	8.75
Euro.Coal& Steel 7¾ 94	100	†96¼	96¾	+0¼	+1¼	8.66
Eurofima 6¼ 96	100	85⅞	86⅝	0	-0¼	9.23
Elec De France 5¾ 97	300	81⅝	82⅛	0	+0½	9.32
Hydro-Quebec 6¾ 99	300	85⅛	85⅞	-0¼	+0⅛	9.18
Japan Dev. Bk. 5⅜ 95	300	84⅛	84⅞	-0¼	-0⅛	9.32
Japan Finance 5¾ 97	100	82	82⅝	+0¼	+1	9.34
I.A.D.B. 7¼ 99	300	88⅛	88⅝	-0½	+0¼	9.15
Ireland 6½ 97	300	87	87½	0	+2¼	9.00
Ireland 7¼ 99	500	87⅛	87⅞	0	+0⅜	9.31
Malaysia 6¼ 94	150	91¼	91⅞	-0⅛	-0⅛	8.69
Nat. West BK. PLC 6 98	300	†80¼	81¼	0	-0⅛	9.51
Nippon Telg.&Tel. 6 95	400	†86	86½	-0½	0	9.37
Oesters. Kontbk. 5 93	300	90	90⅝	0	+0¼	8.94
Portugal 5¾ 92	150	92¼	92⅞	+0⅝	0	9.33
Portugal 6⅝ 95	150	89⅛	89⅞	+0½	+0⅞	9.17
Royal Insurance 5½ 92	300	93	93½	+0¼	+0⅜	9.24
Turkey 6½ 95	500	86⅜	87½	-0¼	-0⅛	9.90
Union Bk.Finland 5½ 94	200	87¼	87⅞	+0¼	-0½	9.53
World Bank 6 98	500	81⅞	82¼	-0⅛	+0⅞	9.10
World Bank. 6¼ 97	600	84⅜	85¼	-0⅛	+0⅝	9.13
World Bank 6⅜ 99	600	85⅛	85¾	-0⅛	+0⅞	9.08

Average price change... On day -0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†84	84½	-0¼	-0½	8.27
Asfinag 5 03	100	†80	82	0	-0½	7.26
B.F.C.E. 4½ 98	200	†83	83½	+0¼	+0⅝	7.25
B.M.W.Fin.Neth. 5 13	150	†75½	77½	+0½	+4¼	7.10
Britannia B/S. 4¼ 94	100	†83½	84½	-1½	-1¼	8.95
CIR. Int. W/W 3 93	125	†83	83¼	-0⅛	-0⅜	9.08
Credit Lyonnais 4¾ 00	100	†78	78½	-0¼	-0⅜	7.94
E.I.B 4⅝ 98	150	†83¼	83½	+0½	+0⅜	7.38
Finn. Exp. Cd. 8¼ 92	75	*†96¼	96⅞	0	+2⅛	10.01
Fletcher Chall. 4⅞ 98	150	†75	75¼	-0⅛	+0⅛	9.41
I.A.D.B. 6 2004	200	*†88½	88½	0	0	7.31
Kobe City 4⅝ 98	150	†82½	83½	-0¼	-0⅛	7.44
Leeds Perm. B/S. 4⅛ 93	200	†86	87	-1½	-1½	9.38
Malaysia 5⅛ 98	100	†80½	80⅜	-1⅜	-1⅝	8.60
Maxwell Comm.Crp. 5 95	150	†82	82½	+0½	+0⅝	9.43
Nat.Bk. Hungary 5½ 94	75	†83¾	84	+0⅛	+0¼	9.90
Nationwide Ang.B/S. 4 93	200	†86½	86¾	-0⅜	-0⅞	8.92
Prov. Newfoundland 5 03	150	†79	80	+0½	-0¼	7.42
Thailand 4⅝ 95	200	†84¾	85	-1⅝	-1¼	8.25
World Bank 5 03	150	†81	82	0	+0¼	7.19

Average price change... On day -0¼ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	98⅜	98⅝	-0¼	-0⅛	0.08
Canada 5⅝ 93	80	94½	94¾	-0¼	-0½	7.48
Cr.Local France 6¼ 94	300	94⅝	94⅝	-0⅛	-0¼	6.74
Denmark 6¼ 95	300	94½	94¾	-0⅛	0	6.73
E.I.B. 4⅞ 93	30	93⅛	93⅝	-0⅛	0	7.40
Norway 5⅛ 95	50	90½	90¾	-0¼	-0⅜	7.42
Sweden 4⅝ 95	50	92	92¼	-0¼	-0¼	7.52
World Bank 5½ 98	10	85½	86	-0⅜	-0⅜	7.56
World Bank 7 94	20	98¾	99¼	-0⅛	-0⅜	7.28

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	91½	92¼	+0⅛	0	12.75
Abbey Nat. 11⅝ 93 £	100	92⅝	93¼	-0⅛	+0⅜	14.81
Aegon 7⅜ 92 Fl	100	97⅞	98⅜	0	+0⅛	8.07
Alg. Bk. Ned. 5¾ 93 Fl	200	90⅞	91⅜	+0⅛	0	9.28
Austria 7½ 94 ECU	100	89	89⅞	-0¼	-0⅛	10.99
Barclays Aus.13½ 91 A$	100	97⅛	97⅝	+0¼	+0⅛	15.32
Belgium 8¼ 94 Ecu	150	*†90¼	90⅛	0	0	11.36
Bell Canada 10⅞ 04 C$	200	91⅛	91⅝	+0⅛	-0⅛	12.14
BP Capital 9¾ 93 £	100	88¼	88⅝	+0⅛	+0¼	14.66
British Airways 10 98 £	100	82	82½	0	+0¼	13.81
Brit. Telecom 9½ 93 £	150	88	88¼	-0⅛	+0¼	14.58
Comm. Bk Aust. 12⅞ 93A$	100	†94⅜	94⅞	+0⅜	+0½	14.81
Comm.Bk.Aus.13¼ 94 NZ$	60	101¼	102¼	0	0	13.14
Credit Foncier 9 96 Ecu	100	91⅜	91⅞	0	+0⅜	10.88
Cr.LocalFrance 9¼ 92Ecu	100	96⅞	97⅜	-0⅛	0	10.72
Deut. Bk.Aus. 13⅜ 93 A$	125	97⅛	97½	0	+0⅞	14.31
Deutsche Bk.Fin. 15 94 A$	100	101⅝	102	0	+0⅝	14.41
Elec.De France 9¾ 99C$	150	86¼	87⅜	+0⅛	-0⅝	12.10
E.I.B. 7 96 LFr	100	89	90	-1	-0¼	9.40
E.I.B. 7¼ 99 Fl	150	87	87½	-0⅛	+0½	9.19
E.I.B. 9 99 Ecu	150	†91⅞	92⅜	0	+2¼	10.37
Eurofima 7⅞ 94 Ecu	100	89⅞	90⅜	-0⅛	+0⅜	10.88
Fed.Bus.Dv.Bk. 9 94 Ecu	100	†92⅜	92⅞	-0¼	-0⅛	11.24
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†94¼	94¾	0	-0¼	12.71
Ford Cr.Can.10⅜ 93 C$	100	†95¼	96¼	0	-0⅛	12.45
Ford Cred.Can.10⅞ 96C$	125	92¾	93¼	+0⅛	0	12.61
Ford Cred.Fund.10⅝ 93£	60	88⅞	89⅜	-0⅛	0	14.75
G.M.A.C.Canada 11 3/4 94 C$	100	96⅝	97⅛	0	+0⅛	12.76
Helaskon 7⅝ 94 Fl	150	95⅝	96⅛	+0⅛	-0⅛	8.12
Hydro-Quebec 11 99 C$	400	93⅜	93¾	+0⅛	-0⅜	12.23
Lloyds Bank 10¼ 98 £	150	82⅝	83⅛	+0⅛	+0⅜	13.94
Lloyds Bank 11⅜ 98 £	100	87⅛	88	0	+0¼	13.90
Nat. Aus. Bk. 14⅛ 94A$	100	100⅛	100⅝	0	+0⅜	14.59
New Zealand 9½ 93 £	100	87⅝	88⅛	+0⅛	+0¼	14.60
O.E.K.B. 10¼ 99 C$	150	89½	90	+0⅛	-0½	12.11
Royal Bk.Scot.10⅝ 98 £	125	84	84½	-0⅛	0	14.07
Saskatchewan 10¼ 93 C$	200	93⅝	94⅛	+0⅝	-0⅛	12.39
State Bk.NSW. 13⅞ 93A$	100	97½	98	+0⅛	+0¼	14.63
Sweden 7½ 93 Ecu	250	89⅞	90⅛	0	+0⅜	10.88
Sweden 15 94 A$	100	101⅞	102⅜	+0¼	+1¼	14.26
Toyota Mtr.Cr.10⅝ 94C$	150	92⅝	93⅛	+0¼	+0⅛	12.42
Toyota Mtr.Cr.11⅜ 92C$	150	97⅝	98⅛	+0¼	+0¼	12.49
World Bank 7⅛ 99 Fl	300	87	87½	-0⅛	+0½	9.23
World Bank 9½ 95 Ecu	100	95	95½	-0¼	-0⅝	10.80
World Bank 10⅞ 94 £	200	89⅝	90⅛	—	—	14.05
World Bank 13⅝ 92 A$	100	98⅜	99⅝	0	+0⅝	13.80
World Bank 14¼ 94 A$	75	100	100½	+0⅛	+0¼	14.10
Zentrspk. 13¼ 93 A$	75	†96¼	96¾	0	-0¼	14.45

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.87	99.92	24/04	15.33
Bank of Greece 99 US	†0⅛	98.40	99.65	8/03	9⅛
Belgium 91 US	0	99.95	100.06	21/08	8.32
Chelt.& Gloucester 94 £	.063	99.77	99.82	31/05	15¼
Credit Foncier 98 US	.063	99.66	99.76	20/04	8.31
Dresdner Finance 99 DM	†.031	100.27	100.37	28/04	6.97
EEC 3 92 DM	10	100.44	100.54	21/08	9
Halifax BS 94 £	.1	99.98	100.03	9/05	15.22
Invt. In Industry 94 £	0¼	99.95	100.06	17/04	15½
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	17/04	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.90	99.95	29/03	15¼
New Zealand 5 97 £	.07	99.97	100.07	22/05	15.06
Northern Rock 92 £	0½	99.80	99.85	30/04	15.18
State Bk. Nsw. 98 US	.188	99.55	99.80	14/08	8.56
Woolwich Equit. BS. 93 £	0⅛	100.01	100.06	17/04	15.37
Woolwich 5 95 £	0⅛	99.95	100.01	22/05	15¼

Average price change... On day +0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	112¼	113¼	+1	3.06
Amer. Brands 7¾ 02 US	9/87	56.7	114¼	115¼	-0⅛	0.72
Asda 4¼ 02 £	3/87	1.64	100⅝	101⅝	0	50.40
CBS. Inc. 5 02 US	4/87	200.	95⅛	96⅛	-0⅛	8.46
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	71⅝	72⅛	0	2.25
Daiwa Bank 3⅜ 95 US	2/90	1628.	85	86	-0⅛	-1.93
Primerica 5½ 02 US	4/87	66.75	71⅛	72⅛	0	67.75
Eng.China Clay 6½ 03 £	9/88	4.8	81⅛	82⅛	+0⅛	6.22
Fujitsu 3 99 US	5/84	1106.	169⅝	170⅝	+0¼	-3.04
Ladbroke Grp. 5¾ 04 £	6/89	3.55	96¼	97¼	-1¼	18.85
Land Secs. 6¾ 02 £	6/87	6.72	78⅛	79⅛	-0⅛	12.60
Minolta Camera 2¼ 94DM	2/86	1004.	92½	94	-1½	15.87
MCA Inc 5½ 02 US	9/87	69.62	91⅝	92⅝	+0¼	20.45
Mitsubishi Bk. 3¼ 04US	5/89	3266.	72	73	+2⅛	3.41
Next Plc 5¾ 03 £	11/87	4.3	96⅛	97⅛	0	316.56
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	137½	138½	+1⅞	-7.54
Omnicom Inc. 6 1/2% 04 US	10/89	28.	101⅞	102⅞	0	23.93
Onward Tateisi 2⅝ 02 US	4/87	1310.	213⅛	214⅛	+0½	-1.40
Ranks Hovis 4¾ 03 £	11/88	3.5	108	110	+0⅞	1.19
Redland 7¼ 02 £	1/87	5.4	102⅛	103⅛	0	1.62
Saatchi&Stchi.6¾ 03 £	10/89	4.41	61	62	0	102.40
Silicon Graphics 8 04 US	6/89	23.18	164½	165½	+5¼	-1.63
Sumitomo Bank 3¼ 04 US	2/89	3847.	67⅛	68⅛	+1⅛	13.35
Texas Inst. 2¾ 02 US	9/87	82.87	75¾	76¾	-0¼	68.79
Utd.N'papers 8 04 £	10/89	8.77	124¼	125¼	-0⅛	220.66
W.R. Grace 6¼ 02 US	9/87	42.12	89	90	+0½	22.09

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Junk bond market-making heads for maturity

Janet Bush on the healthier trading environment left after the demise of Drexel Burnham Lambert

They may not be dancing on the grave of Drexel Burnham Lambert, but investment banks, traders and investors left in the junk bond arena believe that the post-Drexel market may be healthier and more efficient.

Last Friday, Drexel finally stopped quoting prices on 3,000 to 4,000 junk bond issues, but there appeared to be little concern among high-yield mutual fund portfolio managers who have long ceased relying on the market's founder for quotes.

Some of them argue that the pricing of high-yield issues improved as Drexel's stranglehold on the market loosened. In the past, when Drexel dominated the market, the firm was often the only source of pricing for many of the estimated 530 separate junk bond issues which it underwrote.

"If a certain bond didn't trade, a trader in effect held up a moistened finger. More often than not, the resulting guess was friendly, or high, rather than unfriendly, or low," comments Mr Jim Grant, editor of Grant's Interest Rate Observer, the influential credit newsletter. "In the case of the scores of issues that Drexel Burnham alone sponsored, there was nobody else to offer a second opinion."

The Investment Company Institute put out an urgent memo this month, warning its mutual fund members that there may not be alternative pricing services for some Drexel issues. However, the only problem appears to centre on several Drexel-underwritten private placements. Large mutual funds tend to hold very few of these.

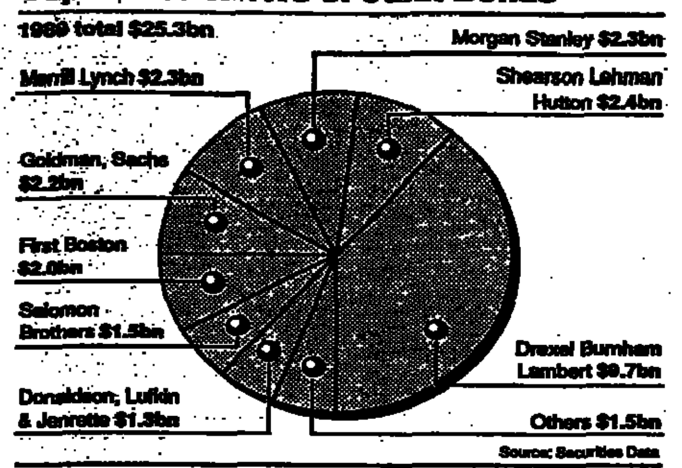
According to mutual fund managers, who calculate the price of their portfolios daily, they have already found alternative brokers to price the bulk of the junk bond issues they hold.

Ms Margaret Eagle, portfolio manager of Fidelity's high-yield bond fund, says that her company uses 15 different brokers to establish accurate prices. "Drexel never exclusively priced our portfolio. By February [when Drexel's parent filed for bankruptcy], very few issues were priced only by Drexel."

There is anecdotal evidence that some mutual funds have experienced difficulties in getting prices on some issues, but this appears to be exceptional as several firms have moved into the vacuum left by Drexel. Jefferies & Co, a Los Angeles broker which has taken on several former Drexel junk bond traders, started offering prices on Monday, and other large brokerage houses such as Merrill Lynch have also started pricing former Drexel issues.

Mr Kingman Penniman, head of high yield at McCarthy, Crisanti & Maffei, says there is a lot more competition in the market now and that the result should be better prices and a more efficient market. "There are discrepancies, but people will home in on them eventually and spreads should narrow."

Top Underwriters of Junk Bonds



Source: Securities Data

He says he is starting to see increased interest and more active trading in private placements, and that it is therefore becoming easier to price these accurately. Some private placements were hardly ever traded, making it difficult to establish a fair market price.

"Drexel's prices were often too high," said one junk bond specialist. "They didn't want to scare anybody." It is possible, now that Drexel has withdrawn from pricing, that the price of some of these less liquid issues could drop, but this should not apply to many bonds, according to market participants.

Most issues are now priced by a number of brokers, and, even in the days of Drexel's dominance, the market exerted a controlling influence. "In our institution, we were very careful," says Mr Harry Resis, head of junk bond trading at Kemper Financial Services. "If we thought a price Drexel quoted was too high, we would demand that they drop it."

Few suggest that Drexel was alone in overpricing issues – "It was in nobody's interest to be bearish," comments Mr Grant – and some emphasise that it was not deliberate. Ms Eagle of Fidelity notes that Drexel sometimes underpriced issues. "It really is very difficult to accurately price bonds which do not trade very often," she says.

Although high yield mutual fund managers reckon the market will become more efficient as competing brokers build market share, there is some way to go before this market, so dominated by one firm in the past, fully matures.

The efficiency of the market is now attracting the attention of regulators and Congress. Senator Donald Riegle, chairman of the influential Senate Banking Committee, has publicly voiced concerns about the lack of accurate information about the junk bond market, which he says is "at best suspect."

The Securities and Exchange Commission says in a report on the high yield market, sent to Congress last week, that "the persistent problem of obtaining quality research in the high yield market" means that its information is based more on estimates than on hard data.

This admission gives some idea of how much the market has to develop before there is efficient and accurate information flow. Mr Richard Breeden, chairman of the SEC, says in a letter accompanying the report that he has asked his staff to study a centralised price quotation system for the junk market, but that the agency would move slowly on the issue.

UK bonds tumble as Budget disappoints

By Andrew Freeman in London and Janet Bush in New York

UK GOVERNMENT bonds moved sharply lower in immediate response to the Chancellor's Budget Statement, after trading little changed for most of the session.

GOVERNMENT BONDS

Analysts said the disappointing comments on funding, including a lower than expected budget surplus for 1990-91, led to a fall in futures of around 1 point, while the cash market lost around ¾ point.

However, analysts also blamed inflation and the poor outlook for UK trade, and said there was limited scope for substantial improvements in sterling bond markets this year. "This puts us back at the mercy of international markets," said one commentator.

Before the Budget speech, gilts had been affected little by the interest rate rise in Japan. Sterling was steady against leading currencies, and although monetary figures released in the morning were disappointing they had little effect on prices.

The 11¾ per cent gilt maturing 2003-07 was trading around 99⅜, but later fell off in line with the wider market.

■ IN GERMANY, trading was driven by technical factors. A sharp fall at the opening as negative sentiment led to sustained selling quickly caused a strong technical bounce and prices jumped 1 point, a gain of 25 pfennigs on the day.

On the cash market, the 7¾ per cent bund maturing 2000 was fixed unchanged at 93.55 to yield 8.74 per cent. In the afternoon it traded upward, gaining around 15 pfennigs.

The June futures contract was actively traded. After dropping 50 pfennigs at the opening, it rallied to close at around 82.54.

■ JAPANESE government bonds dropped towards the close in Tokyo, reacting to the continued weakness of the yen, despite the belated discount rate rise by the monetary authorities.

The benchmark 119 issue closed at its low. On the Tokyo Stock Exchange it was quoted yielding 7.195 per cent, and after hours brokers were quoting 7.29 per cent. The market is closed today.

■ US TREASURIES slumped in early trading yesterday in response to a discouraging set of inflation figures, but then rallied strongly as the dollar surged on current markets.

At midsession, long-dated maturities had recovered from losses of as much as ¾ point to stand as much as ¾ point higher. The benchmark long bond was quoted ¾ point higher to yield 8.46 per cent.

The US currency jumped, particularly against the yen which failed to gain any support from an increase in the Japanese discount rate. At midsession, the dollar was quoted at Y154.25 compared with Y153.05 late on Monday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-16	-07/32	13.48	13.52	12.45
		10.500	5/99	89-12	-15/32	12.48	12.46	11.45
		9.000	10/08	81-27	-19/32	11.36	11.40	10.53
US TREASURY *		8.500	02/00	99-06	-07/32	8.62	8.67	8.49
		8.500	02/20	99-06	+09/32	8.57	8.65	8.52
JAPAN	No 119	4.800	6/99	88.3086	-0.117	7.28	7.35	6.84
	No 2	5.700	3/07	88.9397	-0.273	7.14	7.06	6.33
GERMANY		7.125	12/99	89.9000	+0.660	8.69	8.87	8.63
FRANCE	BTAN	8.000	10/94	90.8415	+0.253	10.60	10.78	10.52
	OAT	8.125	5/99	88.2700	+0.510	9.95	10.18	10.22
CANADA *		9.250	12/99	90.3500	+0.650	10.88	11.01	10.39
NETHERLANDS		7.500	11/99	90.0300	+0.310	9.08	9.15	8.98
AUSTRALIA		12.000	7/99	93.1440	+0.489	13.29	13.40	13.18

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

British Gas and GM Ecu deals add to problems of oversupply

By Stephen Fidler, Euromarkets Correspondent

BRITISH GAS and General Motors yesterday added to the oversupply in the Ecu sector of the international bond market.

British Gas International brought a three-year issue through Merrill Lynch, which carried an 11 per cent coupon and a price of 101.575.

INTERNATIONAL BONDS

General Motors opted for a longer four-year maturity, an 11⅛ per cent coupon and an issue price of 101⅝. This issue was launched through Credit Suisse First Boston. Proceeds were thought to be swapped into floating rate dollars.

The aim appears to be to tap retail demand for high-quality corporate issues, particularly from Switzerland, but some dealers in the sector said they felt that this had been overestimated. Neither deal was rich enough to excite significant new demand, and the deals were expected to move slowly. Some mentioned that at a discount equivalent to full fees, the British Gas issue was carrying a price above par – disliked by certain retail accounts.

Daimler-Benz broke a hiatus of about a month in the Eurolira market with a L100bn issue through Banco di Roma. With its five-year maturity and 13¼ per cent coupon – equivalent to the last new issue in the market – the issue carried a yield to maturity of 13.50 per cent.

The issue, bid at a discount equivalent to full fees, carried a small pick-up over some similar issues. For example, a recent issue for Volkswagen carries a yield to maturity of 13.40 per cent, Deutsche Bank's recent issue has 13.30 per cent and one for Electrolux has 13.49 per cent. The funds will not be swapped, and will be used for investment in Italy.

In D-Marks, a floating rate note for Lufthansa received a good initial reception, allowing it to increase an issue from DM700m to DM1bn. It was the first corporate floating-rate note issue for some time. The demand for the paper, yielding six-month London interbank offered rate flat, appeared to stem mainly from German institutions, although there was interest from the Far East and Middle East. Despite this, it was trading just outside underwriting fees at 99.78.

Interfinance Credit National added FFr500m to a DM700m issue launched last January. The issue was priced to yield 40 basis points over French Treasuries at launch.

In Switzerland, co-managers would be losing money on a SFr150m issue for Electricité de France, which slipped to less 2¾ per cent.

● Bear Stearns has entered the market for securitising corporate real estate and equipment assets, Reuter reports. The investment banking firm said it had hired James Price as managing director and Michael Forastiere and Scott Butler as associate directors from Drexel Burnham Lambert.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Lufthansa Int.Finance(a)‡◆	1bn	(a)	100	2000	20/10bp	Deutsche Bank
ECUs						
British Gas Int.Finance(d)◆	100	11	101.575	1993	1⅜/⅞	Merrill Lynch Int.
General Motors Corp.(d)◆	100	11⅛	101⅝	1994	1⅝/1⅛	CSFB
LIRE						
Daimler-Benz Int.Finance◆	100bn	13¼	101	1995	1⅞/1¼	Banco di Roma
FRENCH FRANCS						
Interfinance Cr.National(b)◆	500	10⅝	100.45	1992	1⅛/⅝	Credit Lyonnais
SWISS FRANCS						
Electricite de France(c)◆	150	7¼	102	2002	3/2½	Credit Suisse
Aegon NV(d)★★◆	75	7⅜	101¼	1994	1⅜	UBS
YEN						
Swedbank(e)◆	6bn	8½	101⅛	1992	1⅛/⅝	Nippon Credit Int.
Trips Ltd.-Series K(f)‡◆	5.45bn	25bp	100.10	1993	10/6bp	Toyo Trust Int.

★★Private placement. ‡Floating rate notes. ◆Final terms. a) Coupon pays 6-month Libor flat. Call at par from April 1994. b) Fungible with FFr700m issue launched in January. Non-callable. c) Call after 10 years at 102½. d) Non-callable. e) Redemption linked to Nikkei stock index. f) 25bp over 6-month Libor. Unlisted. Backed by dual-currency Y/$ guaranteed notes.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Tuesday March 20 1990 (Index No., Day's Change %, Est. Earnings Yield% (Max.), Gross Div. Yield% (Act at 25%), Est. P/E Ratio (Net), xd adj. 1990 to date); Mon Mar 19 Index No.; Fri Mar 16 Index No.; Thu Mar 15 Index No.; Year ago (approx.) Index No.

[illegible]

FT-SE 100 SHARE INDEX‡ [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	73	10
Corporations, Dominion and Foreign Bonds	12	1	13
Industrials	373	262	956
Financial and Properties	205	111	391
Oils	19	26	46
Plantations	1	0	9
Mines	39	32	87
Others	80	61	120
Totals	742	566	1,632

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

FIXED INTEREST

	PRICE INDICES	Tue Mar 20	Day's change %	Mon Mar 19	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.51	-0.10	112.62	–	3.17
2	5-15 years	117.95	-0.37	118.39	–	2.55
3	Over 15 years	120.07	-0.60	120.80	–	4.16
4	Irredeemables	139.26	-0.76	140.32	–	1.51
5	All stocks	117.97	-0.31	118.34	–	3.02
	Index-Linked					
6	Up to 5 years	140.15	-0.03	140.12	–	0.94
7	Over 5 years	131.97	+0.06	131.89	–	1.05
8	All stocks	132.47	+0.05	132.40	–	1.04
9	Debentures & Loans	96.33	+0.05	96.28	–	2.35
10	Preference	76.51	-0.02	76.52	–	1.49

	AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 20	Mon Mar 19	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.66	11.63	9.44
2		15 years	11.30	11.28	9.02
3		25 years	11.17	11.08	8.85
4	Medium Coupons	5 years	12.96	12.90	10.44
5		15 years	11.74	11.65	9.45
6		25 years	11.30	11.20	9.02
7	High Coupons	5 years	13.04	13.00	10.56
8		15 years	12.03	11.94	9.67
9		25 years	11.53	11.43	9.20
10	Irredeemables		11.17	11.07	8.80
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.68	4.66	3.35
12	Inflation rate 5%	Over 5 yrs.	4.14	4.14	3.47
13	Inflation rate 10%	Up to 5 yrs.	3.80	3.78	2.54
14	Inflation rate 10%	Over 5 yrs.	3.98	3.98	3.31
15	Debs & Loans	5 years	15.81	15.83	12.21
16		15 years	14.13	14.13	11.33
17		25 years	13.44	13.45	10.72
18	Preference		12.05	12.05	10.03

[illegible]

TRADITIONAL OPTIONS

● First Dealings March 19
● Last Dealings March 30
● Last Declarations June 21
● For settlement July 2

For rate indications see end of London Share Service

Calls in Norex, FKI, Tusker Res., Clayform Props., Amstrad, Aviva Pet., Lon. & Edin. Tst., Suits Mining, Blocure, Aberdeen Pet., Tullow Oil, Business Tech., Colorall, Utd. Guarantee, Brown & Jackson, Morley and Blacks Leis. Put in Blacks Leis.

Geest unzips 9.5% rise in spite of listeria scare

By Clay Harris, Consumer Industries Editor

GEEST, the fresh produce and prepared foods group which imports 60 per cent of the bananas sold in the UK, shook off trading losses because of the listeria scare to increase pre-tax profits by 9.5 per cent to £20.03m in 1989.

The increase, from £18.29m, came in spite of a decline to £906,000 (£2.04m) in trading profits from prepared foods.

The fears over contamination of chilled foods coincided with Geest opening a new recipe dish plant at Spalding, Lincolnshire. As a result, this operation traded in the red, as did the fish-processing business which was subsequently injected into a joint venture with Associated Fisheries.

Manor Hill Foods, the Baltimore-based prepared salads company which Geest bought last May to improve its knowledge of the US market, contributed only about £500,000 because of start-up costs and a cold wet summer.

Trevor Humphries

Leonard van Geest: emphasised organic growth rather than acquisitions in continental Europe

In fresh produce, Geest's main business, trading profits rose to £16.62m (£14.55m), on a slight improvement in margins. Sales of ripe bananas increased by 11 per cent. Other activities chipped in £1.22m (£913,000), and discontinued operations accounted for £189,000 (£372,000) in profits.

Group turnover grew by 7.6 per cent to £498.9m (£463.8m). Net interest received rose to £2.97m (£1.88m). An extraordinary credit of £3.38m offset the gain on the sale of contract distribution operations with the cost of rationalising fish activities. An abortive acquisition for an unnamed target cost £272,000 in fees.

On earnings per share of 19.8p (18.5p), Geest proposes a final dividend of 3p to lift the total to 5.75p (5p).

● COMMENT

After slightly disappointing results, Geest shares stand on a prospective p/e of 9.5, assuming pre-tax profits of £24m in the current year. The figure is achievable if enough recipe dishes can be pushed through Spalding to justify the plant's high fixed costs and if the Macfish joint venture comes into the black. Unlike his counterparts at Albert Fisher or Hazlewood, chairman Leonard van Geest has emphasised organic growth rather than acquisitions in continental Europe, and so far has less to show for it. That is still likely to be the main theme, but with £18m cash on hand, the company is rich enough to change its mind. Just over the horizon, Geest will be fighting to continue to source bananas from the Windward Islands after 1992. Geest could weather an enforced switch to Latin America suppliers, although new arrangements would likely be more volatile than the 35-year-old links with 15,000 individual growers in Dominica, St Lucia, Grenada and St Vincent. Since British consumers are indirectly subsidising the Windward growers with prices a third or so above world market prices, this is a policy issue rather than one for Geest alone. The faint shadow this uncertainty casts over the shares should not obscure their other attractions.

CEI electronic components sale

By Clare Pearson

CAMBRIDGE ELECTRONIC Industries plans to sell off all its electronic components businesses which last year represented more than a third of its turnover.

The company yesterday announced the scheme at the same time as it unveiled pre-tax profits down from £15m to £11.1m in the year to end-December, mainly reflecting a weak performance from the businesses earmarked for sale.

The disposals are intended to facilitate a big cut in headquarters staff, from about 55 last year to 15, and enable the company to concentrate resources on the higher technology electronics interests.

Mr Paul Lester, chief executive, said CEI had not yet decided whether to sell the electronic components side piecemeal or in one lump, but he hoped to have more to say on this by the time of the agm at the beginning of May.

Turnover was £174.9m (£172.8m). Earnings per share were 15.2p (22.5p), but the final dividend is 7.1p, making a 10.1p (9.35p) total.

The main factors in the profits reversal were the slowdown in order intake in the UK electronics components activities and deferral of certain defence contracts at one of the companies in the interconnection technology division.

Electronic components made £3.48m (£2.57m). But CEI said the result was obscured by changes in structure. Trading profit was after charging £1m redundancy and closure costs.

In the other divisions, interconnection technology made £1.88m (£3.78m), defence and instrumentation £4.5m (£4.06m), and specialist companies £3.78m (£3.05m).

● COMMENT

CEI's shares sustained the knock of this results announcement, which was more grisly than expected, rather well. The answer, of course, lies in the dividend increase – which does at least show Mr Lester's commitment to turning his vision of a leaner, meaner CEI into a reality. The one thing that emerges clearly from this highly convoluted set of figures is how hard CEI has found it to keep track of so widely varied a bunch of businesses. But though the disposals are a good idea in principle, their timing is not, and CEI may get no more than about £30m for them. Furthermore, it is not clear there will not be further pruning to be done before the company significantly improves its performance. Current year pre-tax profits forecast vary between about £12m and £16m, for a prospective p/e ranging between 7.5 and 10. More importantly, the yield is a comfortable 8 per cent: it remains to be seen what order of dividend increase, if any, CEI feels up to next time.

Brit Syphon to seek share buy-in authority

By Andrew Hill

BRITISH SYPHON Industries, the engineering, distribution and manufacturing company which has been prevented from going private by a large minority shareholder, is to seek authority to buy in some of its ordinary shares.

Mr Bryan Morrall, chairman, denied there was a contradiction between the resolution, which will be put to Friday's annual meeting, and the fact that British Syphon was not paying any dividends.

Mr Nathu Ram Puri and his private industrial group Melton Medes own 25.05 per cent of British Syphon, which they have held since a management buy-out in 1988. Mr Puri objected to the original offer price and small shareholders retained a further 5.6 per cent of the group's equity.

Mr Morrall said yesterday: "We feel that a number of shareholders decided not to accept the buy-out offer because of Mr Puri's promises to achieve dividends for them and he has failed to do so. We thought it would be a good idea to offer them a lifeline if they wanted it."

Mr Puri, meanwhile, has accused Mr Morrall of painting an unduly dark picture of British Syphon's position.

The company, which has changed its year-end from December 31 to August 31, made £1.24m before tax in the eight-month period to the end of last August, against £5.01m in the whole of 1988, and has written off £22.5m below the line as a provision against the possible sale of its loss-making paper manufacturing business.

Since the year-end, the group has sold its paper merchanting operation at a profit of £10.1m which will be included in the 1989-90 accounts.

The auditors qualified the report on the 1988-89 accounts on the grounds that they no longer had access to the financial records of that business, and because group companies had not carried out stock-taking at end-August.

A lesson in mutual frustration

Andrew Hill on buy-out plans muddied by minority holders

MR ANDREW Lloyd Webber and Mr Bryan Morrall do not have much in common.

One is a multi-millionaire composer of musicals performed all over the world while the other is chairman of a small distribution, engineering and manufacturing company based in Wilmslow, Cheshire.

However, within the last 18 months both men have led buy-outs of public companies – Really Useful Group (RUG) and British Syphon Industries respectively – and both have seen their clear plans muddied by minority shareholders.

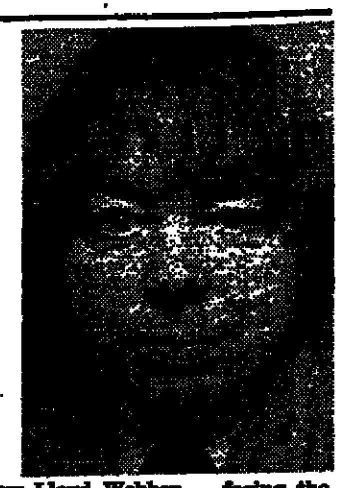
Last week Mr Robert Holmes à Court, the Australian financier, started building up a stake in RUG, in spite of the fact that the vehicle for Mr Lloyd Webber's £77.4m buy-out already controls more than 80 per cent of the public company. Mr Holmes à Court has yet to declare his intentions, but the move has puzzled investment bankers advising the composer.

Mr Morrall's dilemma is slightly thornier. In October 1988, British Syphon joined a clutch of public companies planning to go private, but Mr Nathu Ram Puri, who heads the private industrial group Melton Medes, objected to the 155p per share buy-out price. Nearly 18 months later, Mr Puri is still a shareholder and British Syphon, which will hold its 65th annual meeting on Friday, is still a listed company.

Mr Puri acted fast after British Syphon announced the buy-out: between November 1988 and February 1989 he and Melton Medes lifted their stake from less than 5 per cent to just over 25 per cent.

That was the crucial point. Although Britannia, the management vehicle led by Mr Morrall and backed by Bankers Trust International, was able to declare its bid unconditional, it has not been able to remove British Syphon's stock market listing, which requires a 75 per cent vote in favour.

At the same time, Bankers Trust cannot secure the senior debt facility it arranged for Britannia on the assets of British Syphon, because full ownership of the business has not passed to the buy-out team. Britannia, in turn, cannot claim tax relief on its interest payments to Bankers Trust.



Bryan Morrall (left) and Andrew Lloyd Webber – facing the music over a buy-out dilemma

A further complication is the continuing involvement of between 100 and 200 investors – mostly individuals – who hold about 5.6 per cent of British Syphon's equity. The Companies Act allows a bidder to mop up outstanding shares compulsorily if it wins control of more than 90 per cent of the equity it does not already own. Mr Puri's resistance has prevented Britannia from buying those minority holdings.

That does not seem to bother Mr Morrall. He says the existence of a 30 per cent minority must have saved Britannia a few million pounds in interest payments. He admits that British Syphon has suffered from a downturn in its paper manufacturing business, which it now wants to sell, but says Britannia itself is not going down, in spite of the outstanding loans. Indeed, Bankers Trust had enough confidence in the buy-out vehicle to back a £2.1m purchase made independently of British Syphon in February.

"We did the buy-out on the basis that our paper-making interests were going to make some money: they made horrendous losses – but we shall survive," says Mr Morrall. Mr Puri claims, in turn, that he is perfectly able to finance his stake in the group.

Minority shareholder resistance is not a new feature of management buy-outs. In 1988, Glass Glover, the fresh fruit grower and distribution group, faced the possibility of Scottish Amicable, an institution with a 10 per cent stake, remaining as a minority holder. Like Mr Puri, Scottish Amicable objected to the buy-out price, but, unlike him, eventually sold.

As long ago as 1985, Molins' management tried to secure acceptance of its buy-out offer by using a scheme of arrangement – a legal instrument which requires only 75 per cent of the shares to be voted in favour of the bid for 100 per cent of the company to pass to the bidder. But only 72 per cent of the shares in the cigarette machinery company were voted in favour of the offer.

The importance of the 75 per cent threshold is one reason why observers – including British Syphon's Mr Morrall – are baffled by Mr Holmes à Court's strategy at RUG. Mr Lloyd Webber owned or had received irrevocable acceptances representing more than 75 per cent of the shares before the Australian's stake-building came to light.

Unusually, due to a Companies Act technicality, Mr Holmes à Court could prevent compulsory purchase of the outstanding shares if he owned more than 6 per cent of the group. But Mr Lloyd Webber, like Britannia, is not intending to pay dividends on RUG shares after the offer closes and would have no reason to buy out Mr Holmes à Court.

So without the benefit of dividend income, what do minority shareholders in buy-out companies get out of their investment?

A trade investor resisting a buy-out is in a marginally stronger position as a minority shareholder than an institution because he can try to make a deal with the majority shareholders.

Not that frustration or lack of success always forces a sale. Mr Puri, who also has stakes in the quoted companies Delaney Group and Marling Industries, has made little secret of his desire to own British Syphon's businesses outright. But an attempt to turn the obvious stalemate at British Syphon to his advantage failed just before Christmas, in spite of his substantial minority holding.

Mr Puri suggested buying out the 82 per cent stake in Britannia owned by Mr Morrall and his colleague Mr Christopher Shaw and then making an offer, through Britannia, for the minority shareholdings in British Syphon, including his own stake. He also suggested Bankers Trust could convert some of its loans into an equity stake in British Syphon. However, Bankers Trust, which owns the remaining 18 per cent of Britannia, apparently said it preferred to continue backing the existing management.

"Half of my staff would walk out of this business if he [Mr Puri] was in control," adds Mr Morrall, matter-of-factly.

Relations between Mr Puri and Mr Morrall, cemented by 18 months of wrangling, range from cordial to frosty, but even now, each side believes the other will eventually be forced to give in. It is a lesson in mutual frustration which Mr Holmes à Court might be advised to learn.

As Mr Puri's advisers put it: "They are like two chaps in lorries driving down the motorway towards each other: someone, some day, has got to pull over. We happen to think that Puri is in a larger lorry."

Growth in UK newspapers helps Trinity advance 19% to £17.7m

By Andrew Bolger

TRINITY International Holdings, the Chester-based newspaper publisher and paper and packaging manufacturer, yesterday reported a 19 per cent increase in pre-tax profits to £17.65m in the year to December 30.

Earnings from the group's UK newspapers grew by 40 per cent. Mr David Snedden, managing director, said the improving local economy and greater productivity had helped the papers to show continued growth.

For the first nine months of the year papermaking and packaging produced satisfactory growth in profits. Subsequently margins had come under pressure as economic activity declined at a time of increasing capacity coming on stream within the UK industry.

Trinity said the paper and packaging division's performance in difficult market conditions would hold the key to whether the recent years' progress in group profits continued or whether 1990 became, in effect, a year of consolidation.

Turnover rose by some 10 per cent to £118.6m and earnings per share by 25 per cent to 20.6p. A final dividend of 4.9p is recommended, making a total for the year of 7.2p (6p).

The receipt of £2.97m on conversion of Trinity's Reuters shares was shown as an extraordinary item.

VPI dismisses former head of US business

By Nikki Tait

VPI GROUP, the UK-based public relations consultancy, yesterday formally fired Mr Don Carter, the founder and former head of its New York proxy solicitation business after Mr Carter entered guilty pleas to two felony charges of grand larceny and income tax evasion in the US.

Mr Carter resigned from any executive role on VPI's board earlier this year. This was in the wake of an investigation by New York State into allegations that his Carter Organisation had padded bills to clients and an examination of his tax affairs. VPI acquired the Carter Organisation in 1987.

On Monday, VPI moved to suspend Mr Carter from his remaining duties at the group. These included a non-executive directorship and some residual client responsibilities.

VPI said yesterday that, along with the Carter Organisation, it was still discussing the issue with the state of New York with the aim of "bringing matters to a conclusion."

Woollams builds up 9.3% stake in Yellowhammer

By Alice Rawsthorn

SHARES OF Yellowhammer, the advertising agency, yesterday rose 6p to 42p on the announcement that Woollams Moira Gaskin O'Malley, one of the 'third wave' of young London advertising agencies, has built up a 9.3 per cent holding.

Woollams, which is privately owned, has been buying shares in Yellowhammer over the last ten days. Mr Howard Fair, finance director, said that it saw the stake as a "long term investment in an undervalued company".

Mr Fair said Woollams started to buy the shares when it "saw Yellowhammer's share price tumbling on the stock market". He did not see the stake as a platform from which to mount a bid at present, but he "could not comment" on its long term intentions.

Yellowhammer has been bandied about as a bid target since December when it shocked the City by disclosing losses of £150,000 (£911,000 profits) in the six months to September 30. Last week, Yellowhammer warned investors that it was likely to report a £3.6m loss for the full financial year.

Like many other UK agencies, the company has suffered from the slowdown in the advertising market. The market has been hit by the impact of high interest rates on consumer spending and corporate profits. This scenario has prompted many advertisers to reduce their budgets or to cancel campaigns.

Yellowhammer has also suffered from the problems of its recently established European subsidiaries and from the poor performance of some start-up companies in the UK. It has already announced 40 redundancies and intends to cut costs at its Paris office.

Its share price, which stood at 141p before it announced interim losses in December, has since fallen steadily. Woollams began to buy Yellowhammer shares on March 8, through Smith New Court, its stockbrokers. It has since spent about £400,000 on its 9.3 per cent stake.

Woollams has financed the investment from its own resources. It began in business in 1987 as one of the 'third wave' of agencies which broke away from the large multinational marketing services groups. Its client list now includes Virgin Atlantic, Ciba-Geigy and Amstrad.

Woollams made a loss in its first year but moved into (unaudited) pre-tax profits of £317,000 on gross income of £1.4m in the last financial year to September 30. It is expected to double profits this year, in spite of the downturn in the advertising market.

Era profits dive to £631,000

By Nikki Tait

ERA GROUP, the specialist retailer, yesterday revealed that pre-tax profits plunged from £4.59m to only £631,000 in 1989, and that a £5.34m extraordinary write-off has left it technically unable to pay a final dividend.

Era's announcement hit Topic screens just 10 minutes before the stock market reached its Budget day close. No directors were available to comment directly on the figures.

The company's public relations advisers, relaying messages, said that that auditors had been working on the figures all weekend, but could offer no explanation for the unexpected timing of the the results' release.

Era's profits are scored on total sales of £84.5m (£67.3m) and come after net interest charges of £1.75m (£211,000). The company also bore exceptional costs of £435,000 above the line, relating to property write-downs and the termination of an unspecified product line.

At the operating level, however, Era breaks down both turnover and profits between ongoing and discontinued operations. On the former score, the profits drop is relatively modest – from £5.65m to £4.81m, on sales up from £51.7m to £69.9m. On the latter – which covers the group's Lexterten furniture business – the loss deepens from £889,000 to £2.43m.

Era's statement suggested that the results from the ongoing businesses were "highly satisfactory", given the current high interest rate climate.

The proposed sale of Lexterten leads to the £5.34m extraordinary write-off, and this produces an attributable loss of £3.53m. Because of the deficit on reserves, the company is unable to pay a final dividend on the ordinary shares or the convertible preference shares. It said it hoped to resume payments "at the earliest possible opportunity".

Menzies seeks partner for US chain

By Andrew Bolger

JOHN MENZIES, the Edinburgh-based retail and wholesale group, yesterday said it was seeking a partner to help develop its loss-making US chain of 91 Early Learning Centres, which sell educational books, toys and games.

Menzies lost £3.2m on the chain in the six months to October 31, on top of the £5.5m already lost since 1987. The chain was expanded rapidly from the successful trial in 1986 of 10 shops and Menzies said many of them are now trading successfully.

The company has retained the US investment banker Alex Brown and Sons to explore a number of strategic alternatives, including a joint venture with a US retailer or investor group.

Mr Dermot Jenkinson, a Menzies director, said the company had invested in warehousing and overheads sufficient to service 150 stores and this spare capacity could prove attractive to another US retailer.

A partner could also help Menzies develop products specifically tailored for the US and own-brand items.

Mr Jenkinson said that having suffered a great deal of pain from the US venture, Menzies would be very unlikely to want to sell it outright, preferring to share in any future gain.

It wanted another partner to spread the risk and share in investment in the chain, which had proved popular with up-market parents.

BSG static at £23m as interest rates hit demand

By Richard Tomkins, Midlands Correspondent

BSG, the Birmingham-based car dealer and components group, yesterday reported near-static profits and a dip in earnings per share for 1989 after the mixed performance reported at the interim stage deteriorated in the second half.

Turnover on continuing operations rose from £539.3m to £639.1m but pre-tax profits were steady at £23.4m (£23.1m) and earnings per share, hit by a sharply rising tax charge, fell from 8.01p to 7.57p.

A final dividend of 2.5p is recommended, making 3.2p (3p) – a 7 per cent increase.

Mr Tom Cannon, managing director, said trading was buoyant for the first nine months of 1989, but in the final quarter the group had been unable to avoid the impact of high interest rates on consumer confidence.

Meanwhile a capital spending programme of £30m had taken borrowings up to 35 per cent of shareholders' funds and increased the interest charge from £2.3m to £4.3m.

The biggest division – vehicle distribution and leasing – increased trading profits from £11m to £13.3m. The main factor underpinning the increase was record UK car sales, but this was counteracted in the last quarter by a sharp fall in used car prices.

The automotive components division saw a good year from its lighting companies, but sunroof and mirror manufacturing suffered increases in aluminium and zinc prices and there were delays in the start-up of the Australian mirror company's contract to supply Ford in the US. Trading profits in this division rose from £7.6m to £7.8m.

In consumer and special products manufacturing, profits rose to £6.7m (£5.5m). Nursery products did well in West Germany, but demand turned down in Australia and the UK.

Meanwhile Rumbold suffered delays in the start-up of its contract to supply lavatories for Boeing 737s.

Mr Cannon said the current year was difficult to read. High interest rates were continuing to affect BSG's markets and the Ford strike had taken its toll, but he believed the heavy capital spending programme of the past two years would start to pay off in the future.

● **COMMENT**

Shares in BSG have lost a quarter of their value in the six months since the interims. Not without reason: BSG was ever a jam tomorrow story, and looks increasingly likely to stay that way. True, only half the vehicle distribution division's profits come from new and used car sales, but most of the group's other activities are dependent either on automotive sales or on consumer spending generally. Meanwhile, the vaunted Rumbold contract to supply aircraft lavatories – perhaps the best hope for an upward profits surge – looks increasingly unlikely to have a significant impact this year. None but the bold will be looking for much over £25m, leaving earnings per share no higher than 1988's 8p with the tax charge now at 35 per cent. At yesterday's 61½p, however, the meagre p/e multiple of 7.5 is paying scant regard to the stake held by Sir Ron Brierley's IEP, now above 18 per cent.

River & Merc Amer

Net asset value per capital share of River & Mercantile American Capital and Income Trust at February 28 was 37.53p (30.54p) and 55.21p (48.41p) per income share. Gross income was £1.24m (£1.06m) and earnings per income share were 8.73p (7.45p). Final dividend is 2.4p making 7.2p (6.4p).

McDonnell Douglas abandons UK flotation proposal

By Alan Cane

McDONNELL DOUGLAS, the US aerospace manufacturer, has abandoned plans to float the international operations of its information systems division on the UK stock market.

Quoting the business climate in the UK and the state of the British economy as the chief reasons, the company said yesterday that it had decided against putting its computer services offshoot, McDonnell Douglas Information Systems International, on the market.

Instead, it planned to rearrange its computing operations outside the US into a single company which would function as a UK private limited company, wholly owned by McDonnell Douglas.

Financial, taxation and legal experts were working on the best way to achieve that objective, McDonnell Douglas said yesterday.

The new company would have considerably greater autonomy, operating as a computing services organisation owned by an aerospace group rather than an integral part of the McDonnell Douglas. Subsidiaries in France and West Germany, for example, would report to London rather than to the US.

McDonnell Douglas Information Systems has an income worldwide in excess of $400m (£247m) and employs some 3,400 people. The original decision to float the company was announced in August last year.

The UK operation had progressed well last year, the company said, improving both revenues (£143m) and pre-tax profits (£23.6m) by 10 per cent compared with 1988.

The new organisation will be headed by Mr Jerry Causley, British born former head of McDonnell Douglas' US information systems businesses.

Sharp decline in advertising market takes toll on HTV

By John Thornhill

HTV GROUP, the ITV franchise holder for Wales and the west of England, yesterday reported results for the five month period to end-December reflecting a sharp downturn in the advertising market.

Pre-tax profits during the period were £7.41m and came on turnover of £71.56m.

HTV reported advertising revenue of £43.8m during the five months showing a decline of 1.8 per cent on a comparable basis. The company claimed this reduction was a direct result of the current consumer-based recession in the UK and that the adverse conditions were continuing into the current year.

Turnover from programme sales was also comparatively depressed and Mr Patrick Dromgoole, chief executive, strongly criticised the current process of networking programmes on the ITV network. "The networking system is not satisfactory and needs an independent controller," he claimed.

The company was able to recoup £3.14m of a £3.5m provision it had made last year against its business with Qintex, the financially troubled Australian media company run by Mr Christopher Skase. This "gratifying readjustment" helped HTV declare a dividend of 2.5p for the period. Earnings per share were 6.91p.

Sir Melvyn Rosser, chairman, said it was not easy to put the period's results in context but he added that on an annualised basis pre-tax profits could be stated as £17.58m compared with the £14.38m achieved in the year to July 31 1988.

Turnover from HTV's interests in non-advertising business, such as video production, marketing, and fine art, amounted to 39 per cent of the total during the period. HTV reaffirmed its intention to increase this to half the total by 1992.

Planning permission boost for Camford

CAMFORD ENGINEERING, the motor components group which is the subject of a £63.8m hostile bid from Markheath Securities, has been granted conditional planning permission to develop a Hertfordshire site which may yield a profit over book of £22m, writes David Owen.

The company last valued the proposed development at £26m net of costs, against a book value of £3.8m. It described the announcement as a "significant step forward" and promised to send shareholders a "formal assessment" of its asset value.

The permission has been granted subject to the successful negotiation of a section 52 agreement by the parties involved in the development at Argyle Way in Stevenage. One of these is British Aerospace, which owns land north and west of the Camford site. The development would entail that a form of land swap be entered into by the two companies.

Markheath responded to the announcement by saying that it was "pleased" that progress had been made but was "particularly concerned" that a site exchange was necessary.

"Markheath believes that Camford should disclose full details of the planning approval", it said.

The group, the UK investment vehicle of Adelaide Steamship, the Australian industrial and retailing conglomerate, has accumulated a 29.96 per cent stake in Camford over a two-year period.

Camford, which last week unveiled a 38 per cent increase in its interim dividend, said Markheath's "attempts to worry shareholders" should be ignored. The company's shares closed unchanged at 323p – still 18p above the bid level.

NEWS DIGEST

Benchmark boosted by banking arm

A 13 per cent expansion in taxable profits was yesterday unveiled by Benchmark Group in the six months to end-December.

On turnover ahead from £10m to £13.7m, profits at the financial services group advanced to £732,000 (£649,000), in spite of two of the group's three divisions recording a loss during the period.

The banking operation made profits of £908,000 and is maintaining margins, directors said. However, its performance was partially offset by the investment and stockbroking divisions which incurred losses of £96,000 and £140,000 respectively.

A maintained interim dividend of 0.75p is payable from earnings of 0.88p (0.79p) per 20p share.

Ferrum rises to £1.56m

Ferrum Holdings, which took on a new look last year via a move from the oil and gas sector into engineering, raised its profits from £551,000 to £1.56m pre-tax for 1989.

Turnover of the continuing operations totalled £29.38m (£8.19m restated). Earnings worked through at 5.81p (3.27p) and shareholders are to receive a maiden dividend of 1.5p.

During the year the USM company, formerly known as Floyd Energy, spent some £14m on acquisitions and sold, or wrote down, the bulk of its residual energy interests.

Third Mile picks up in second half

Third Mile Investment raised pre-tax profits by 36 per cent from £286,000 to £389,000 in 1989.

This represented a sharp improvement in the second half, after interim results only slightly ahead at £288,364, against £283,390.

Tax took £79,000 (nil) and earnings per 25p share came to 12.8p (11.9p). The recommended final dividend is 2.05p for a same-again total of 3.35p. There was an extraordinary loss of £582,000 last time.

New England doubles to £3.1m

New England Properties, the USM-quoted property trading and development group, reported taxable profits more than doubled to £3.11m in 1989.

The increase from the previous year's £1.51m came on turnover of £4.84m (£3.03m), and reflected partly a turnround in interest from £106,000 payable to £344,000 receivable.

Earnings per 5p share worked through at 2.9p (1.3p) and, as indicated in the group's interim statement, a single dividend of 1p (0.3p) is proposed for the year.

Directors said that net assets at the year end stood at approximately £29.4m (£26m), or 29.5p (26.2p) per share.

Wace spends £5.3m on specialist printer

Wace Group is paying an initial £5.29m to buy Labelking, a specialist printer providing labelling primarily for the food packaging market. In the year to December 31 last it made pre-tax profits of £865,000 on turnover of £4.9m. At the same date the company had net assets of £1.3m.

The initial consideration will be satisfied by allotment to the vendors of 448,276 new Wace ordinary shares and the balance by £3.99m in cash. The vendors will retain the shares for at least two years. A further performance-related payment up to £2.4m – to be satisfied as to 50 per cent cash and 50 per cent in Wace shares – will be based on a multiple of adjusted pre-tax profits for 1990 in excess of £800,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Benchmark ....int	0.75	May 18	0.75	-	1.625
Brake Bros ....fin	3	July 2	2.4	4.2	3.4
BSG Intl ....fin	2.5☆	July 2	2.34	3.2	3
Cambridge Elect ....fin	7.1	May 15	6.7	10.1	9.35
Ferrum § ....fin	1.5	July 2	nil	1.5	nil
Geest ....fin	3	July 2	2.75	5.75	5
HTV ....fin	2.5‡	May 23	3.5	2.5‡	5
New Eng'd Prop § ....fin	1	July 2	0.3	1	0.3
Paterson Zoch ....int	2.05	May 3	1.95	-	8.6
Standard Chart ....fin	22.5	May 18	22.5	35	35
Trinity Intl ....fin	4.9	Apr 27	4.2	7.2	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡For five months ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Castle Communications, IFICO, Renishaw.

Finals- BAT Industries, Bowthorpe, Britannic Assurance, British Mohair, Johnson Group Cleaners, Laporte, Law Debenture, Matthews (Bernard), Morgan Grenfell, RTZ, Schroders, Sharpe & Fisher, Tibbett & Britten, Tullow Oil, UK Paper, World of Leather.

FUTURE DATES

Interims-

Colroy	Mar. 28
Cramphorn	Mar. 22
New Cavendish Estates	Mar. 22

Finals-

AMEC	Apr. 11
Beattie (James)	May. 1
Bedford (William)	Mar. 28
Bilton (Percy)	Apr. 2
Conder	Mar. 27
Desoutter Bros	Mar. 22
Edinburgh Fund Managers	Apr. 2
Etam	Apr. 26
European Home Products	Mar. 29
House of Lerose	Mar. 28
Ipeco	Apr. 3
Magnolia	Apr. 3
Manders	Mar. 22
Monument Oil & Gas	Mar. 28
Page (Michael)	Mar. 28
Pearson	Mar. 30
Ratners	Apr. 23
Renaissance	Apr. 24
Sintrom	Apr. 3
TT Group	Mar. 28
Telemetrix	Mar. 22
United Newspapers	Mar. 29

UK COMPANY NEWS

Modest rise to £11.65m for Paterson Zochonis

By Vanessa Houlder

A RISE in investment income helped Paterson Zochonis, the trader and manufacturer of toiletries and detergents, unveil a 6.7 per cent rise in pre-tax profits from £10.92m to £11.65m for the six months to November 30.

Turnover of the group, which owns Cussons, the maker of Imperial Leather soap, increased to £105.49m (£104.99m).

The company said it expected similar profits in the second half, provided that there were no major exchange rate movements.

Investment income of £8.43m (£7.42m), less interest payable of £3.58m (£3.73m), helped offset a small decline in operating profits from £4.87m to £4.8m.

The share of profits of related companies in Nigeria increased from £1.36m to £2m.

The results of its Nigerian companies were hampered by a 13 per cent fall in the naira by the end of February. In spite of pressures on consumer demand from inflation and stringent credit controls, they made a 5 per cent volume gain and maintained margins.

Paterson said its prospects in Nigeria were dependent on the economy, about which it was cautiously optimistic.

Gains in the UK and Australia offset the cost of expansion in south east Asia. Paterson is increasing its marketing and sales effort in Indonesia, Thailand, Singapore, Malaysia and Hong Kong.

Paterson has been shipping its soaps and detergents into eastern Europe and the Soviet Union over the past six months, although it has no plans to manufacture in these countries.

Some 70 per cent of the company's investments are in sterling deposits with the balance split between currency deposits and equities. Paterson said that it continued to be interested in acquisitions in continental Europe and south east Asia, although it remained reluctant to pay extravagant prices, according to Mr Alan Whittaker, financial director.

An interim dividend of 2.05p is declared, payable from earnings per share increased from 13.81p to 14.78p.

Brake Bros maintains strong progress with 22% advance

BRAKE BROS, a specialist supplier of frozen food to the catering industry, continued to progress strongly through the second six months and for the full 1989 year increased profits by 22 per cent to £11.75m pre-tax.

Turnover expanded from £124.78m to £145.35m and from earnings of 16.9p (14p) shareholders receive a final dividend of 3p making a 4.2p (3.4p) total.

Directors said that opportunities for organic growth remained good and that additional depot facilities were due to be added in the eastern and western divisions.

A new food preparation factory was expected to be completed in Kent later this year.

The balance sheet continued to be strong and opportunities for expansion in the food service sector of the catering market were under active consideration.

In the current year, they considered the present level of trading to be satisfactory.

Profits have risen steadily each year from the £2.74m returned for 1985.

Pall Mall controls 23% of Laing Properties

By Nikki Tait

AS THE "phoney war" stage in the £441m bid battle between Pall Mall Properties and its target, Laing Properties, enters its final week, the predator announced yesterday that it now controlled 23.1 per cent of Laing's shares.

It also speaks for 14.9 per cent of the Laing convertible stock.

The bulk of this is accounted for by shares owned by Pall Mall, the vehicle through which the P&O group and Mr Elliott Bernerd's privately-owned Chelsfield company are making their joint bid.

Pall Mall holds a 22.9 per cent interest in the ordinary shares and 14.5 per cent of the convertible stock.

Bid acceptances remain at a very low level – a predictable response given that the market is still awaiting an up-to-date asset valuation from Laing Properties.

This is expected during the current week, and has to be released by Friday at the latest. Pall Mall will then have until the following Friday to decide whether it wishes to raise its 650p per share cash offer.

In the meantime, the bidder has extended its offer until April 2.

Muted enthusiasm for Globe offer of Electra shares

By Nikki Tait

INVESTORS IN Globe Investment Trust have shown only muted enthusiasm for the 39.2m shares in Electra Investment Trust which were being sold to them, by way of rights, by Globe.

The take-up was just 66.4 per cent – covering a total of 26m shares. Moreover, just under half this number will go to the British Coal Pension Funds, which hold a 29.9 per cent stake in Globe and had said that they would take up their entitlement to Electra shares in full.

Yesterday, Mr David Hardy, Globe's chairman, attributed the result to "that sort of market."

However, in spite of the fact that the share sale was underwritten, Cazenove, Globe's stockbrokers, smoothly placed out the rump at 264p per share. As a result, underwriters will not be required to take up any stock.

Electra shares, which have traded perilously close to the 260p price at which they were being offered to Globe shareholders in recent weeks, jumped 8p to 269p in the wake of yesterday's announcement.

Globe's holding in Electra represented 26 per cent of the latter's share capital and, at the sale price, was worth £101m.

Globe, which has long-standing links with Electra, had said that it was selling the holding because this had become overlarge in proportion to its total portfolio, and because Electra's specialism in venture capital investments was an expertise which Globe was increasingly developing itself.

The funds raised by sale of the Electra stake will be reinvested "in accordance with Globe's established investment policy."

Acquisition and placing as Glamar changes name

GLAMAR GROUP has agreed to acquire Teletrail, to which there have been transferred the business undertaking and certain assets of Response Hosiery.

The consideration is £1.5m, to be satisfied by the issue of 943,396 new Glamar shares. The group is also issuing 945,000 new shares for cash. These are to be placed by Panmure Gordon 159p per share.

Glamar is to change its name to Hartstone Group. The company has been extended since the March 1989 buy-in and now comprises three divisions covering a number of hosiery and leather goods distribution.

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COMPANY NEWS IN BRIEF

APPLEYARD plans to seek authority to buy in up to 5 per cent of its issued ordinary shares. It has no current plans to exercise such authority.

ASHLEY GROUP has acquired an 80 per cent interest in Storflex, an established window blind maker and distributor based in Paris. Consideration was FFr15m (£1.61m). Put and call options are in place in respect of the remaining 20 per cent of the shares and are exercisable at the end of 1992.

BREWMAKER has acquired the assets and business of Salterley Grange, a nursing home situated near Cheltenham, for £1.06m cash.

CITYBOND STORAGE Services, which joined the Third Market in January, plans to step up to the USM later this year. The group, which provides storage facilities for import documentation, will use the cash raised to cut borrowings and finance further expansion.

CROSSROADS OIL has purchased a 4.5 per cent working interest and an overriding royalty interest of 0.38 per cent in the Hunterberry £1 well and about 5,000 associated acres in a development deep drilling programme in the Grosse Isle Field in Vermilion Parish, Louisiana. Consideration satisfied by issue to vendors of 873,530 new ordinary shares at an agreed valuation of £436,765 or 50p per share.

GREAT PORTLAND Estates has paid £5.3m cash for Totfield Holdings. The company's sole asset is Totfield House, mainly offices with car parking facilities, situated on the corner of Tottenham Street and Whitfield Street, London.

INTERNATIONAL CITY: York Trust has received acceptances of its offer in respect of about 90 per cent of International's ordinary shares. The offers for the ordinary and preference shares has been extended until March 27.

KEWILL SYSTEMS is to pay up to DM23.1m (£8.4m) in cash and shares for HAN Dataport, a Cad-Cam software systems group which operates in West Germany, Austria and Switzerland.

MARLEY has disposed of its 50 per cent stake in associate Tuileries Marley-Betopan, a manufacturer of concrete roof tiles from six plants in France. Purchaser, for FFr17m (£1.8m) cash, was Financiere Eternit, Marley's existing partner in the business.

MBS has acquired the business of VISIsystems, a specialist systems house to the automotive industry, for a total consideration not exceeding £2.4m. An initial £750,000 cash will be paid at completion on March 30. A further cash sum will be paid on March 30 1991 of not more than the aggregate of net tangible assets plus a premium of £100,000. A further profit-related consideration may become due on March 30 1992 or 1993.

METRO RADIO: Acquisition discussions with Radio Forth have ended without agreement being reached.

NEEPSEND is acquiring Hydrair, a maker of fluid handling systems for dealing with highly viscous fluids, for a maximum £1.4m, comprising the issue of an initial 1.58m shares (£937,000) and £130,000 loan notes; the £500,000 deferred element will be in cash. Of the share consideration, 1.09m have been placed to raise £557,000 for the vendors; the company has also placed 1.82m shares to raise £927,000.

NSM says acceptances for the rights issue totalled 44.7m shares (75.2 per cent).

OCEAN GROUP has strengthened its position in the US customs brokerage and apparel markets via three Florida-based acquisitions for a total $6.5m (about £4m).

PLASTISEAL is transferring its principal business of manufacturing, selling and distribution of uPVC replacement windows into a new subsidiary, Plactiseal uPVC.

REFLEX has acquired a 61 per cent interest in Computer Hire, a newly-formed company engaged in the short-term rental of computer equipment. Computer Hire has bought the short-term rental business of CLF Yeoman for £495,000, financed by Reflex.

SYLTONE has sold its 50.5 per cent holding in Autovend, a distributor of forecourt refuelling equipment, to Petro Vend of the US for $600,000

TEX HOLDINGS has, via its AK Precision Mouldings subsidiary, acquired the plastic injection moulding business of Forsheda for £245,000.

TULLOW OIL is buying Pict Petroleum's 30 per cent net profits interest on Tullow's 13 per cent working interest in nine onshore exploration, production and appraisal licences in Yorkshire. Consideration is £315,000 and the issue of 300,000 shares.

UNITED GUARANTEE has acquired from the administrator of Precision Group the assets, business, goodwill and trademarks for £265,000 and stock at valuation for about £35,000.

WACE GROUP: American Depository Receipts in the pre-press and printing group are to be traded on the US over-the-counter market. One ADR is equivalent to three Wace UK shares. Wace also announced that in respect of the recommended offer for John Green it now owns or has received valid acceptances for 6.72m shares (99.72 per cent).

WHITEGATE LEISURE: In a major expansion of its ten-pin bowling activities the company has acquired sites at Burton-on-Trent, Rotherham, Perry Barr and a freehold site at Shrewsbury for a total £2.85m.

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). No shares are being sold in connection with this Introduction and this notice does not constitute an invitation to any person to subscribe for or purchase shares in Argos plc ("Argos"). Application has been made to the Council of The Stock Exchange for up to 296,786,066 ordinary shares of 10p each in Argos to be admitted to the Official List (representing the maximum number of Argos shares which could be in issue following the demerger from B.A.T Industries p.l.c.). It is expected that listing will become effective and that dealings will commence on 6th April, 1990.

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40,000,000	400,000,000	ordinary shares of 10p each	29,678,607	296,786,066

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21st March, 1990

TECHNOLOGY

William Dawkins examines how makers of France's TGV are working to achieve supremacy in Europe

Faster than a speeding bullet

Excitement is running high among the research engineers of the SNCF, the French rail board, and GEC Alsthom, the Franco-British engineering group.

Having pulverised the world rail speed record with a GEC Alsthom-made Train à Grand Vitesse (TGV) just before Christmas, the team has – at least unofficially – just broken it again, in secret trials on a stretch of new line along France's Loire valley.

A shortened version of the newly launched TGV-Atlantique has been reaching speeds of more than 500 kmph, more than half as fast as the fastest Airbus, and comfortably over the December TGV record of 482.4 kmph. That is still the official record, say SNCF officials, who nevertheless admit privately that the test runs have broken it handsomely. The team were hoping to set the new record in public and make it official, but have been forced to hold off, probably until the end of the summer, to allow construction work to continue.

Their efforts are more than a sign of the typical French love of speed – though few people can fail to be impressed by the beauty of a slender blue and white TGV-Atlantique streaking across the French countryside. The normal 300 kmph operating speed of the TGV-Atlantique, which opened between Paris and Le Mans last autumn, makes it the world's fastest commercial train, beating Japan's 30-year-old Shinkansen by 60 kmph.

It is also a sign of the seriousness with which the French authorities view the battle for technical supremacy in a European rail network of the future, likely to carry 350 kmph-plus trains with pressure-sealed cabins, carbon fibre brakes and motors able to run on different voltages, according to the SNCF's latest research.

France was the first European country to open a commercial long-distance TGV line, linking Paris and Lyons at 270 kmph in 1981. Now GEC Alsthom is working with the SNCF to sell the advantages of their TGV, against West German, Japanese, Italian and Swedish competition, just as the concept of long-distance express trains is gaining new interest among railway authorities across the world.

"It is more important than ever that our technical advance be maintained. But the purpose is also to show that there is still a big margin between current commercial and maximum speed. We do not yet know the limits," says Michel Olivier, deputy managing director of GEC Alsthom's transport division, which devotes half of its FFr 10bn (£1bn) annual turnover to the TGV.

There is a great deal at stake. The 12 member states of the European Community have asked the European Commission to draw up plans by the end of this year for an EC-wide express rail network, using 19,000 km of existing, updated and new lines, which officials believe will require the construction of between 400 and 500 trains in the coming decade. At the FFr 75m per trainset (two locomotives at opposite ends of a line of eight coaches) which the SNCF is paying for its latest order from GEC Alsthom, that represents a market of between FFr 30bn and FFr 37.5bn.

While the geography of the network will be European, the trains that run on it will continue to be very different. Having failed so far to persuade its German counterpart to co-operate on TGV design, the SNCF is investing hard to try to ensure that its version will dominate Europe's future railways as well as be an attractive choice for non-European export markets. The SNCF will more than double its investments on the TGV to FFr 45.5bn over the next five years. This covers equipment, new and updated track and research – nearly half of the French rail board's FFr 100bn overall budget for the period.

Following Spain's decision last year to choose GEC Alsthom TGVs for the Madrid-Seville high speed line, due to open in 1992, South Korea is about to call for tenders for what is likely to be a FFr 24bn express link between Seoul and Pusan, in the south of the country.

Hovering in the wings is Canada, where the Government is in the early stages of considering a high speed rail link between Quebec City and Windsor. Bombardier, the Canadian transport group, which has the North American market rights for GEC Alsthom's TGV, has been the most active. Other contenders are Sweden's Asea Brown Boveri, whose express train links Stockholm and Gothenburg, plus the West German Bundesbahn's experimental Inter City Express (ICE), which has managed 406 kmph and is due to enter service in June 1991.

One purpose of the current speed trials is to research a TGV to run commercially at 350 kmph, possibly to come into service at the second half of the decade. In the nearer future, the SNCF is at varying stages of conception of four sub-300 kmph variants. These include the so-called TGV Reseau, adapted to run on Belgian and French electrical currents, due to link Brussels to Marseilles via Paris from 1992; and the TGV Transmanche, on order for 1993, with more complicated adaptations for the UK system of providing power through a third rail, instead of from an overhead wire as in France, as well as to cope with narrower British tunnels.

Under study are a lightweight double decker, to help expand capacity on the Paris-Lyon route by 1994; and the PBKA, named after the cities it will link (Paris, Brussels, Cologne and Amsterdam) and due to enter service in 1995.

While members of this new generation of TGVs all have different specifications, they share certain technical challenges. One priority is improving aerodynamics to save energy, says François Lacôte, the SNCF's chief engineer in charge of TGV programmes. As speeds rise, power requirements – and hence running costs – rise faster.

Olivier reckons that a 350 kmph TGV needs a quarter more power than the current 300 kmph TGV-Atlantique. The original 1981 TGVs used the equivalent of 2 litres of oil per passenger per 100 km while the TGV-Atlantique managed to cut that to 1.5 litres, mainly through its smoother shape.

The target Lacôte is aiming for now is to cut that further to 1.2 litres. "We can still reduce our resistance," he maintains. This compares with the 7 litres used by an Airbus on the same basis, he maintains. "The cost of Airbus fuel could pay for all our research," Lacôte jokes.

Apart from shape of the locomotive and carriages, the SNCF is studying the use of lightweight materials for the double decker TGV. It is negotiating with GEC Alsthom for a train that will be lighter than its single deck fore-runner as well as 15 per cent to 20 per cent per cheaper in terms of cost per seat.

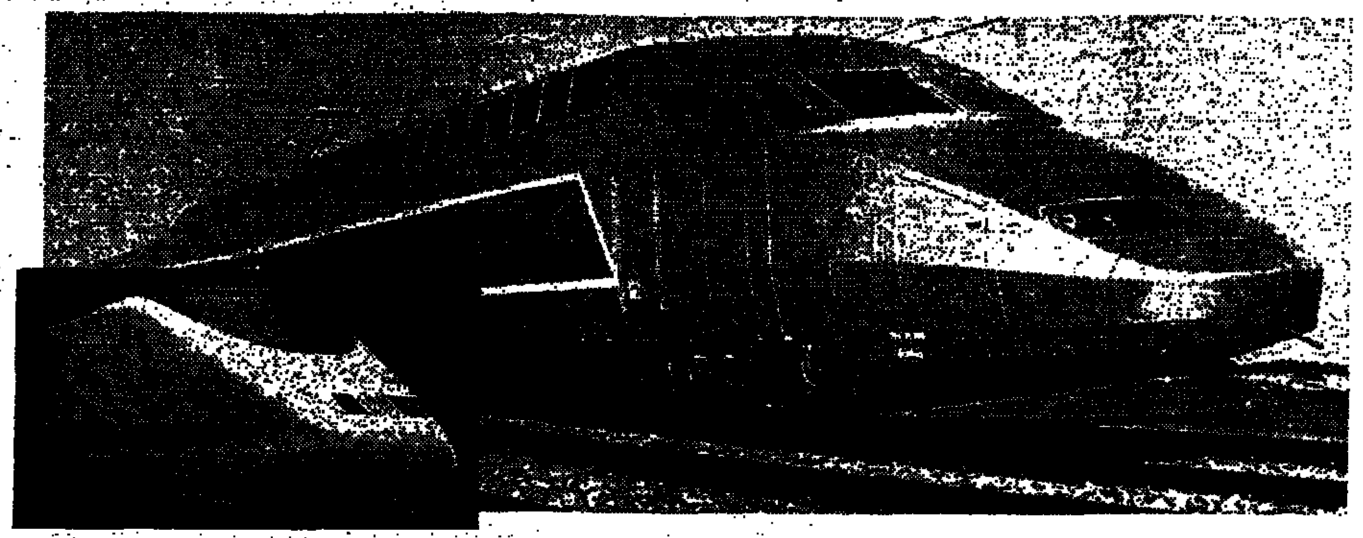
Energy can also be saved, Lacôte believes, through re-design of the connecting device between the locomotive and the overhead wire. The problem is to provide a firm regular contact against the buffeting received at high speeds, while at the same time avoiding heavy wear on the wire.

The SNCF is studying the use of carbon fibre disk brakes, similar to the ones used in Airbus undercarriages, and lighter and tougher than the quadruple steel disks now used. The present system – which uses the engine for speed control, plus disk brakes for final stopping – brings a TGV-Atlantique from 300 kmph to an emergency halt in 3.3 km. That gives enough of a margin between trains for the SNCF to run a service every five minutes on the Atlantique line and three minutes on the slower Paris-Lyon route. If carbon fibre brakes can reduce stopping speeds, this would allow an increase in frequency and potential profitability, points out Lacôte.

Apart from better operating performance, the big research area is comfort. A TGV running at full tilt into a tunnel, or passing another in the opposite direction, creates such a shock wave that it can dent its own bodywork and make passengers' ears pop at high speeds. The West Germans are experimenting with aircraft-style pressurised cabins, which solves the problem well. But it is one reason, apart from its greater weight and size, why the German ICE costs 20 per cent to 30 per cent more than the TGV. "The Germans began to work on this subject before us, but we think their solution is too expensive," said Lacôte. The SNCF believes a well-designed hermetic door seal and better aerodynamics should do the trick.

The general theme behind the SNCF's research is to seek detailed improvements to the basic TGV design, rather than to experiment with radical new ideas, like magnetic levitation (maglev), still seen by some as the ultimate in high speed rail technology. While Japan is examining the possibilities of maglev, the SNCF maintains it threw out that idea 20 years ago, after trying out an experimental line in a Paris suburb.

Lacôte points out that magnetic levitation cannot improve much, at least economically, on the speeds the TGV is reaching. Another advantage claimed for magnetic rail is that it would eliminate servicing costs for wheels and bogeys. But since a mere 5 per cent of the SNCF's servicing costs go on wheels, the advantage would be wiped out many times over by the costs of laying and maintaining new track. "It was the failure of our experiments with magnetic levitation that needled us into developing the TGV at the outset," says Lacôte. "Nearly 10 years later, we still feel we have the right formula."



TGV-Atlantique, the world's fastest commercial train, and the Transmanche (inset), due to run through the Channel Tunnel in 1993

Software pirates walk the plank

Software "pirates", including some well known and highly respected insurance, banking and manufacturing firms in Europe, the US and Asia, have recently been forced to walk the plank of public humiliation in several highly publicised criminal and civil law suits, as leading US software publishers wage a battle to stamp out illegal copying of their products.

The public embarrassment of companies that routinely copy computer programs without licence has succeeded in focusing worldwide attention upon a practice that costs software publishers an estimated $2bn (£1.2bn) per year.

To combat the problem, US software publishers have developed a new and more subtle approach, which they hope will encourage corporate computer users to become "software legal".

The Software Publishers Association (SPA), an international trade group representing leading business, consumer and education software companies, is offering to conduct "audits" of companies' computer software to determine whether illegitimate copying has occurred.

The software audits involve an analysis of a company's computer hard disk directories and a review of software purchase records. When unauthorised copying is found to have occurred, the audited company must destroy any pirated software, purchase legitimate copies and make a contribution to the SPA Copyright Protection Fund.

"When we conduct an SPA audit, we find that many corporate managers are surprised about the number and variety of application programs in use. It is only after we have pointed out the legal risks that they stand up and take notice," said Mary Jane Saunders, SPA General Counsel.

While many corporations have written policies against software piracy, it seems that very few check to see what software is loaded on to their personal computers.

The industry group recently announced the successful completion of several corporate software audits in the US .

In keeping with the agreements that go along with the audit procedure, none of the companies has been identified by SPA, sparing them possibly damaging publicity.

In most cases, software audits are conducted as a result of information provided to SPA by "whistle blowers". The trade group implemented a toll-free telephone hotline in the US last September to receive reports about software piracy.

According to SPA, about 20 calls per day report alleged cases of piracy. While some of these have resulted in lawsuits paid for by the Copyright Protection Fund, many suspected corporate software pirates have opted to be audited instead. "We find that companies receiving an audit request from SPA are co-operative and appreciate the chance to get legal and stay legal without having to go to court," said SPA Executive Director Ken Wasch. "While we still file suit against the worst offenders, we are increasingly finding ourselves in situations where filing a lawsuit is not our first preference."

Fifteen audits are currently in progress in the US, the SPA said, and the program is about to be expanded to the UK. The SPA has donated $25,000 to the British Federation Against Software Theft (FAST), one of the most effective groups battling software piracy in Europe, for the establishment of a software piracy hotline and corporate audit programme similar to those being conducted by SPA in North America.

The audit program will offer an alternative to prosecution, and a "more dignified way to deal with corporate copyright infringement," said Bob Hayes, FAST chief executive.

"We are optimistic that this modest investment in FAST will pay large dividends in terms of a significant reduction in software piracy within the UK," said Wasch.

In addition to the software audit programme, the SPA has released a "self-audit" kit for companies interested in conducting their own periodic inventories of personal computer applications. The kit is available, free of charge, from SPA Self-Audit Kit, 1101 Connecticut Ave NW, Suite 901, Washington, DC 20036.

Louise Kehoe

COMMODITIES AND AGRICULTURE

Brazil reprieves commodity bodies

By John Barham in Sao Paulo

THE BRAZILIAN Coffee Institute (IBC) and the Sugar and Alcohol Institute (IAA) are to remain in operation for as long as six months, in spite of a decree calling for their abolition as part of the incoming Government's emergency reform package. The reprieve is intended to ease unrest on commodity markets.

On March 15 President Fernando Collor de Mello ordered the immediate closure of 23 government agencies, including the IBC and IAA. The two agencies oversaw the production and export of alcohol, sugar and coffee. However, when markets reopened on Monday after a three day bank holiday, operations were paralysed because traders lacked detailed information on how business should proceed in the absence of the two institutes.

The IBC is expected to continue operating normally for a further three to six months, with existing export regulations remaining in force. The Government is to announce within a month which department is to assume the IAA's present functions.

Mr Nelson Marques, an official of the Santos Commercial Association, which represents the coffee exporters, said: "Although these agencies are being closed, their directors will continue in their jobs, awaiting the nomination of a receiver to sell off their assets." In addition to directors, all IBC staff will continue working normally.

Slow take-up for farm diversification grants

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S FARMERS have been slow to take up grant-aided opportunities to diversify their farming businesses, according to statistics released by the Ministry of Agriculture.

Schemes to help farmers extend into such non-farming activities as recreational and leisure activities, farm shops or nature trails were launched in 1987-88 as part of the so-called Alure (Alternative Land Use and Rural Enterprise) package.

Alure provided grants of some £25m a year of which £3m was to be set aside for diversification grants and about £1m each for feasibility studies and marketing aid.

According to the Ministry less than £3m out of total allowable grants of some £8m have so far been awarded.

Baroness Trumpington, junior agriculture minister, said last week that more than 1,500 grants had been awarded for diversification. However, officials say that there have only been 120 awards for feasibility grants and 17 for marketing grants. Total applications in the last two categories were only 160 and 37 respectively.

Successive agriculture ministers have complained at the lack of marketing skills among Britain's farmers but these figures suggest that there is also a lack of interest in acquiring such skills.

Officials said that possibly the way the grants were given was at fault, although all the schemes were the subject of consultation with farmers' organisations before they were introduced.

All the schemes fund a percentage of farmers' total investment. In the case of the diversification grants for example, the Government pays 25 per cent of a total investment of £35,000. Grants for marketing, limited to £2,000 a year for individuals and £10,000 for groups, are paid on a descending scale over three years, beginning with 40 per cent of total investment.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,750-1,780 (1,750-1,800).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.35-4.50 (4.40-4.60).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.10-8.40 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 225-240 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.25-3.35 (3.10-3.25).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.75-4.00 (3.55-3.75).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

April launch for kookaburra silver coin

By Kenneth Gooding, Mining Correspondent

AUSTRALIA WILL put on sale late next month its first legal tender silver bullion coin, the kookaburra. It will complete the "family" of precious metals coins launched since April 1987 by GoldCorp Australia, the state-owned Western Australian organisation.

Named after the popular Australian bird with a distinctive laugh-like call, the new coin will contain one troy ounce of fine silver at 99.9 per cent purity.

The design will be changed annually and the 1990 mintage will be restricted to 300,000 coins, in line with GoldCorp's new marketing policy.

The organisation believes that if it limits the numbers minted, the coins can reasonably be expected to develop a numismatic or collectors' premium in due course rather than simply reflecting changes in the market price of silver.

The policy extends to the nugget gold bullion coin, first launched in 1987, and the koala platinum bullion coin introduced in September 1988. Mr Don Mackay-Coghill, managing director of GoldCorp, said yesterday: "The policy has been well-accepted in international markets for the nugget and the koala and we had no hesitation in also applying it to the kookaburra."

The kookaburra's proposed mintage of 300,000 coins was low by world standards for a silver bullion coin, he pointed out.

● In spite of generally weak conditions in the gold bullion coin market, the Vienna Philharmonic gold coin, launched on October 10 by the Austrian mint, sold 419,000 troy ounces by the end of 1989, according to figures published in Gold Review, the bi-monthly newsletter of the World Gold Council.

Mr Kerry Tattersall, marketing director of the Austrian Mint, said the coin's success had been helped by a rising gold price towards the end of last year, which coincided with the mounting of an extensive advertising campaign by the Mint.

Beneficial treatment of coins under the Austrian tax system also helped demand. The country levies no tax on legal tender coins. In addition, until the begining of this year, Austrian citizens had been prevented from buying foreign gold coins.

Mr Tattersal suggested there might be growing interest in the coin from eastern Europe because of the uncertainties there and the precarious position of various local currencies.

Peruvian silver mines struggle for survival

Sally Bowen on efforts to combat the problems of a major foreign exchange earner

PERU'S SILVER mines are struggling for survival. With government-pegged exchange rate problems and stubbornly low international prices, silver producers are looking to diversify wherever they can.

Mining is Peru's most important sector, with total 1989 production valued at almost US$2,400m – almost half of the country's export income, discounting the illicit coca trade. Silver accounts for about 12 per cent of that and is the country's seventh biggest export earner.

Peru produces about 13 per cent of the world's silver, around 65m troy ounces last year, a rise of 18 per cent on output in 1988, when nearly three months' production was lost because of strikes, but still below 1987 levels.

The seven mines belonging to state-owned Centromin account for just over 20 per cent of all national output, and private, US-owned copper giant Southern Peru Copper Corporation provides another 4.5 per cent. Three-fifths of Peru's silver, however, comes from a proliferation of medium-sized mines, the most important of these grouped in two companies – the Hochschild group which owns Arcata, Caylloma and Huaron, and the Buenaventura mining company the principal mines of which are Orcopampa (almost wholly Buenaventura-owned), Uchucchacua and Julcani.

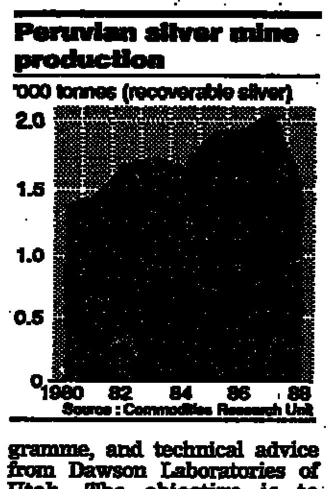
Mr Alberto Benavides, chairman and chief executive of Buenaventura, is the doyen of Peruvian mining. He is armed with an array of projects to combat falling company income, 90 per cent of which currently comes from silver. The most important is a planned $25m-30m move into domestic silver refining by acid pressure oxidation.

Buenaventura is finalising a year-long programme of tests in a Lima laboratory, with the help of a grant from the World Bank's International Finance Corporation, provided through their trade development programme, and technical advice from Dawson Laboratories of Utah. The objective is to enable all of the group's current production of around 14m ounces (almost a quarter of Peru's total output) to be refined inside Peru. At present the only major refinery in the country is Centromin's at La Oroya, 100 miles east of Lima up a steep and difficult road. Over 40 per cent of Peruvian production is currently exported as concentrates.

The new process treats concentrates in an autoclave, a sort of vast stainless steel, titanium-lined pressure cooker. The sulphur in the concentrates is oxidised and converted to sulphuric acid, with silver and gold contained in the residue which is then subjected to cyanidation. While the autoclave has been used for some years for treatment of ore, Buenaventura believe application of the process to high-grade silver concentrates – containing 200-300 ounces per ton, and up to 400 ounces per ton once cyanidation is reached – is hitherto unknown.

Peruvian silver mine production

'000 tonnes (recoverable silver)



Source: Commodities Research Unit

OUTPUT DISTRIBUTION IN 1989

Major mines	Output (fine kgs)	% share
Centromin	384,526	20.9
Orcopampa	162,626	8.8
Buenaventura	139,356	7.6
Arcata	119,794	6.5
Milpo	91,913	5.0
Southern Peru	83,157	4.5
Nor Peru	81,859	4.4
Huaron	74,631	4.1
Caylloma	72,227	3.9
National Total	1,839,883	

Mr Benavides plans to build a pilot refining plant on a coastal site south of Lima, with prospective financing from the International Finance Corporation. The process would enable total group production to be shipped in one huge block, cutting transport and warehousing costs. Looking ahead, he foresees value-added possibilities for manufacturing from silver refined in Peru – perhaps 15 per cent silver brazing rods or dentists' amalgam, both of which are produced locally in Venezuela. Opportunities for developing the jewellery market are also attractive, he says, with electrically-refined Peruvian silver superior to Mexican, which is fired.

Around four-fifths of Hochschild group income comes from silver and the company, like almost all Peruvian mines at present, is not covering operating costs. "It's all a matter of survival now," said Mr Luis Hochschild, the chief executive. With a pegged exchange rate, over the past three months mining exporters have been receiving in local currency half what they were getting before. They must buy imported inputs at in "free rate" dollars, but are paid for their exports at an "official" rate which is much lower. Local costs have risen sharply with 30 per cent a month inflation (2,775 per cent total last year), and bank loans for working capital are "impossible" at over 40 per cent a month.

Hochschild invested around $15m in 1989 to take its Arcata silver mine to lower levels, where there are good zinc deposits. Exploiting zinc and lead rather than silver kept Arcata paying its way last year while the Buenaventura group turned in official losses of 13 per cent and even the high-grade Orcopampa mine lost 7 per cent over the previous year, itself a poor one.

Milpo, Peru's leading private lead producer and third in the 1989 private zinc producers' league table, tells a similar tale. While silver was the company's principal source of income back in the high-price good old days of 1981/82, last year half its earnings came from zinc, a third from lead and less than 20 per cent from silver.

While Hochschild says it has halted all exploration, Milpo continue with a joint copper and precious metals venture with Southern Peru near the Cuajone copper mine in the southern Peruvian province of Arequipa. They are also prospecting for gold near the frontier with Chile. And Buenaventura has linked up with the French mining giant Bureau de Recherches Geologiques et Minieres on a variety of projects. One already operating is the Minera Shila $7.8m gold and silver concentrator in Arequipa; another involves prospecting for gold in the northern Andean region at Cajamarca, 400 miles from Lima, jointly with Newmont Mining of Denver, Colorado. Newmont is thought to be the only American company apart from Southern Peru that is directly investing in Peru.

Peru will have a change of government on July 28. All the indications are that the next five years will belong to the Democratic Front, champions of the free market economy, eager to re-establish international financial relationships and certain to encourage foreign investment. It promises a "realistic" exchange rate and favourable import tariffs for the mining sector, considered to be "the great lever to get development going."

And with estimated prospecting potential of 86m hectares and only 1.6 per cent of that currently exploited, Peru's mining future, whether in silver or other metals, should be secure.

European aluminium demand forecast to stay high

By Kenneth Gooding, Mining Correspondent

BOTH PRODUCTION and consumption of primary aluminium in western Europe last year reached record levels, according to the European Aluminium Association.

The association suggests that demand will remain at about the same high level this year – or even increase. On the production front, facilities are already straining at the seams and no additional capacity is planned for 1990.

The implication is that imports of primary aluminium to western Europe can be expected to rise again this year.

According to the association's estimates, consumption of primary aluminium last year was 4.45m tonnes, an increase of nearly 3.5 per cent on the 4.303m for 1988. This was well ahead of the association's forecast, made mid-way through last year, that consumption would rise by only about 1 per cent in 1989 from the 1988 level.

The association suggests that over the next five years demand for primary aluminium will grow in western Europe by an annual 2 per cent and that nearly all the growth will have to be met by imports.

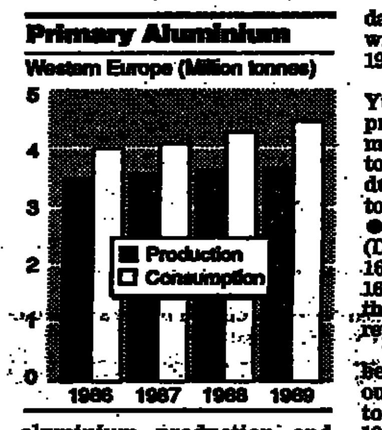
Meanwhile, production of primary aluminium in western Europe last year rose by only 2.5 per cent, from 3.488m tonnes in 1988 to 3.58m tonnes.

Countries monitored by the association include Austria, France, Greece, Iceland, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, West Germany and the UK. Yugoslavia is also monitored but its statistics are not included in the totals given above.

The association suggests that western world primary aluminium production and consumption should remain "fairly balanced" this year.

Primary Aluminium

Western Europe (Million tonnes)



It points out that at the end of December reported stocks of the metal were the lowest in terms of working days for at least 20 years. There was 46 days supply reported compared with 48 days at the end of 1988.

Western world (including Yugoslavia) consumption of primary aluminium in 1989 moved up from 14.05m tonnes to 14.479m tonnes while production jumped from 13.88m tonnes to 14.445m tonnes.

● Dubai Aluminium Company (Dubal) increased output to 168,028 tonnes in 1989 from 163,445 tonnes the year before, the company said in its annual report.

The plant, in Jebel Ali, is being expanded to increase output capacity by 40 per cent to 235,000 tonnes by March 1991.

The Dubai Government owns 80 per cent of the plant, with the rest shared by US, Japanese and local companies.

The annual report said more than 60 per cent of Dubal's output was sold to Japan in 1989, with about 7.8 per cent going to Taiwan and 7.4 per cent to the US.

● Ormet Corporation said it will begin shutting down one of six potlines at its Hannibal aluminium smelter in Ohio because of uncertain market conditions, Reuter reports.

The smelter has a capacity of 274,000 short tons per year.

"Low market prices for primary aluminum and high raw materials costs, such as the cost of alumina (aluminium oxide), have made it difficult to maintain adequate profitability for the last few months," said Mr Wayne Smith, vice president of reduction operations.

"With an eye toward the expiration of the current labour agreement and the possibility of a work stoppage on June 1," Mr Smith said, "we believe it is prudent to reduce production now."

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD moved back below $400 an ounce in London yesterday, reflecting the firming of the dollar on US February consumer price inflation data (up by 0.5 per cent, higher than expected) and the lower early trend on New York's Comex. By midsession the Comex April contract had lost nearly $6 to $396 an ounce on fresh liquidation by commission houses. Analysts said the selling pressure may have been exaggerated in a market empty of bulk buyers. London robusta coffee prices recovered some of Monday's losses, encouraged by an early rally in the New York arabica market. "The market is trying to recoup after realising that Brazilian exporters are not rushing to sell," one dealer said. Cocoa prices were easier in London, and falling in morning trading in New York. Speculation that the upcoming International Cocoa Organisation meeting would prove fruitless inspired bearish sentiment. On the LME lead prices continued Monday's retreat; however, the premium for cash metal over three-month widened to £149 a tonne from Monday's £136.50. In Chicago soybeans were easier by midsession after the funds that led the market rally on Monday turned sellers.

Compiled from Reuter

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.25-5.35y	-.130
Brent Blend	$18.07-8.13y	-.125
W.T.I. (1 pm est)	$19.97-9.99y	-.155
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$213-214	
Gas Oil	$159-160	-½
Heavy Fuel Oil	$80-82	-2
Naphtha	$166-168	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$398.50	-4.25
Silver (per troy oz)♣	510c	-3
Platinum (per troy oz)	$500.75	-2.75
Palladium (per troy oz)	$130.35	-1.15
Aluminium (free market)	$1595	-50
Copper (US Producer)	133¼c	+1
Lead (US Producer)	50.5c	+5
Nickel (free market)	470c	+5
Tin (Kuala Lumpur market)	16.90r	-0.14
Tin (New York)	295c	+1
Zinc (US Prime Western)	80¼c	+2¼
Cattle (live weight)†	111.80p	
Sheep (dead weight)†	224.88p	
Pigs (live weight)†	98.10p	
London daily sugar (raw)	$362.8w	-1.2
London daily sugar (white)	$455.5w	+1.5
Tate and Lyle export price	£352.5	-2.0
Barley (English feed)	£111.5	
Maize (US No. 3 yellow)	£130.75v	
Wheat (US Dark Northern)	£133t	
Rubber (Apr)♥	56.75p	+0.25
Rubber (May)♥	57.50p	+0.25
Rubber (KL RSS No 1 Apr)	229.0m	+2.5
Coconut oil (Philippines)§	$372.5w	-2.5
Palm Oil (Malaysian)§	$277.5	
Copra (Philippines)§	$252.5y	-2.5
Soyabeans (US)	£169	
Cotton "A" index	79.85c	
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Apr/Jun. w-Apr/May. z-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	351.20	353.00	354.20 349.00
Aug	351.40	353.00	354.60 349.40
Oct	339.40	341.00	342.40 338.20
Dec	338.00	333.80	336.00 329.00
Mar	313.00	313.60	316.40 311.80
May	312.00	311.00	314.00 309.80
Aug	308.00	308.60	311.00
White	**Close**	**Previous**	**High/Low**
May	451.5	451.5	452.9 420.5
Aug	449.0	449.0	460.5 418.0
Oct	419.0	418.5	419.5 418.0
Dec	403.0	401.5	403.0 401.5
Mar	397.0	396.5	397.0
May	395.5	396.0	396.5 394.0
Aug	394.0	395.0	395.5 395.0

Turnover: Raw 3816 (3621)lots of 50 tonnes. White 1914 (1112)
Paris- White (FFr per tonne): May 2585, Aug 2584, Oct 2420, Dec 2348, Mar 2325, May 2325

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
May	18.06	18.24	18.33 18.06
Jun	18.23	18.41	18.46 18.23
Jul	18.44	18.47	18.53 18.44
IPE Index	18.27	18.62	18.27

Turnover: 5570 (5366)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Apr	157.75	157.75	159.75 157.25
May	154.25	153.75	156.00 153.50
Jun	153.50	153.00	154.75 153.00
Jul	154.75	154.50	155.50 154.50
Aug	157.00	157.00	157.50 156.00

Turnover 5882 (7004)lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales for the week ended March 16 amounted to 785 tonnes against 540 tonnes in the previous week. Trading was of a fairly high quantity with various countries involved including Israeli, West African and Mexican.

JUTE
C and f Dundee: BTC $590, BWC $610, BTD $560, BWD $565; c and f Antwerp: BTC $565, BWC $565, BTD $540, BWD $530.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	684	687	692 683
May	697	702	709 695
Jul	710	714	720 708
Sep	724	729	733 722
Dec	749	752	756 745
Mar	772	775	781 769
May	786	790	795 784

Turnover: 4187 (7803) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 19 827.83 (857.41) 10 day average for Mar 20 858.00 (859.99)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	694	675	697 670
May	707	685	708 680
Jul	677	654	681 647
Sep	687	672	689 660
Nov	699	684	700 671
Jan	716	695	716 685
Mar	731	715	718 710

turnover: 4918 (6494) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 19: Comp. daily 71.42 (74.80). 15 day average 76.21 (75.98)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	150.0	152.0	153.0 144.0
May	184.0	184.0	185.0 178.5
Nov	99.0	99.0	

Turnover 418 (629) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Jun	124.50	124.50	124.50 124.00
Aug	125.50	124.50	125.50 124.00
Oct	128.50	127.50	128.50 127.50

Turnover 39 (35) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Mar	1567	1590	1586 1570
Apr	1580	1598	1587 1576
Jul	1365	1368	1365 1350
Oct	1465	1460	1453
Jan	1479	1467	1470
Apr	1515	1498	1460
BFI	1590	1594	

Turnover 610 (171)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Mar	110.85	111.00	110.90 110.75
May	112.75	113.10	113.00 112.70
Jun	114.70	115.15	114.70 114.40
Sep	106.50	106.30	106.50
Nov	108.50	109.30	108.50
Barley	**Close**	**Previous**	**High/Low**
Mar	103.50	103.85	103.50
May	106.10	106.45	106.20 106.00
Sep	103.45	103.35	103.50
Nov	106.95	106.85	106.90

Turnover: Wheat 293 (132), Barley 60 (32).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	120.0	119.0	119.0
Jun	119.5	118.0	
Aug	115.5	114.3	

Turnover 7 (22) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,025 tonne
Cash	1590-2	1605-7	1592	1592-3		
3 months	1594-5	1604-5	1617/1590	1594-5	1593-5	39,118 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,350 tonne
Cash	1662-4	1660-2	1648/1636	1638-9		
3 months	1622-3	1620-1	1625/1610	1613-4	1618-9	69,116 lots
Lead (£ per tonne)						Ring turnover 17,825 tonne
Cash	660-70	695-700	670/660	660-70		
3 months	515-7	550-2	573/510	521-3	522-5	11,233 lots
Nickel ($ per tonne)						Ring turnover 1,710 tonne
Cash	10100-50	10200-50	10175/10150	10140-60		
3 months	9525-50	9600-25	9575/9475	9500-50	9575-600	7,407 lots
Tin ($ per tonne)						Ring turnover 930 tonne
Cash	6330-50	6350-5		6360-70		
3 months	6460-70	6465-70	6490/6450	6475-80	6450-70	5,692 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,525 tonne
Cash	1765-70	1770-5	1677/1675	1777-80		
3 months	1625-7	1621-3	1636/1615	1623-5	1622-5	16,985 lots
Zinc ($ per tonne)						Ring turnover 500 tonne
Cash	1690-700	1710-20		1690-700		
March 30	1670-80	1700-10		1670-80		153 lots

LME Closing £/$ rate: SPOT: 1.6100 3 months: 1.5840 6 months: 1.5599 9 months: 1.5387

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	398¼-398¾	247¼-247¾
Opening	400¾-401¼	247½-248
Morning fix	400.8	247.072
Afternoon fix	398.65	246.819
Day's high	401¼-401¾	
Day's low	398¼-398¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	409-414	254-257
Britannia	409-414	254-257
US Eagle	409-414	254-257
Angel	412-417	258-259
Krugerrand	397-400	246½-248½
New Sov.	94¼-96¼	58½-60
Old Sov.	94¼-96¼	58½-60
Noble Plat	506.75-514.8	313.1-318.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	315.90	511.85
3 months	326.00	522.85
6 months	340.50	534.35
12 months	365.00	559.05

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1500	110	126	16	34
1600	49	71	53	76
1700	16	35	119	138
Copper (Grade A)	**Calls**		**Puts**	
2450	184	173	28	91
2550	117	123	60	138
2650	68	84	109	198
Coffee	**May**	**Jul**	**May**	**Jul**
650	85	62	12	35
700	35	38	32	61
750	17	23	64	96
Cocoa	**May**	**Jul**	**May**	**Jul**
650	50	73	4	14
700	18	42	22	33
750	4	23	68	64
Brent Crude	**May**	**Jun**	**May**	**Jun**
1850	19		49	
1900	13	30		
1950	5			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	392.2	400.7	0	0
Apr	393.3	401.9	402.7	392.6
May	396.0	404.7	0	0
Jun	398.7	407.4	408.1	398.0
Aug	403.9	412.8	413.0	403.4
Oct	409.2	418.2	415.5	409.0
Dec	414.5	423.6	424.0	414.5
Feb	420.0	429.1	425.5	422.0
Apr	425.1	434.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	490.8	499.3	0	0
Apr	493.6	502.1	504.5	490.6
Jul	499.7	508.3	511.0	497.5
Oct	505.4	514.1	510.5	504.5
Jan	511.8	520.5	0	0
Apr	518.4	527.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	504.3	510.1	510.5	505.0
Apr	505.4	511.3	0	0
May	509.3	515.2	516.5	508.0
Jul	517.5	523.6	524.0	516.0
Sep	526.0	532.3	531.5	526.0
Dec	537.9	544.4	544.5	537.0
Jan	541.5	548.1	0	0
Mar	549.8	556.6	554.0	550.0
May	558.0	565.0	565.0	560.0
Jul	566.4	573.6	570.0	570.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	128.00	129.60	129.10	127.50
Apr	121.30	123.50	122.90	121.50
May	117.30	119.10	119.00	116.70
Jun	114.60	116.10	116.20	116.20
Jul	112.00	113.20	113.50	111.60
Aug	110.00	111.05	111.00	111.00
Sep	107.70	108.60	109.00	107.60
Oct	106.35	107.20	0	0
Nov	105.05	105.90	0	0
Dec	103.60	104.50	104.80	103.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.36	19.60	19.78	19.32
May	19.61	19.96	20.13	19.72
Jun	20.05	20.29	20.40	19.98
Jul	20.26	20.47	20.58	20.18
Aug	20.34	20.58	20.63	20.31
Sep	20.50	20.62	20.68	20.42
Nov	20.47	20.61	20.65	20.42
Jan	20.60	20.59	20.66	20.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5260	5308	5360	5245
Jun	5215	5242	5285	5165
Jul	5230	5225	5295	5210
Aug	5280	5290	5370	5280
Sep	5490	5415	5485	5415
Nov	5560	5574	5642	5540
Dec	5675	5650	5725	5700

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1023	1030	1040	1011
Jul	1039	1043	1053	1028
Sep	1058	1060	1067	1044
Dec	1077	1078	1088	1066
Mar	1098	1096	1095	1083
May	1110	1113	1120	1100
Jul	1120	1120	1140	1110

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	88.46	87.00	90.50	88.40
May	91.21	87.73	92.20	89.20
Jul	93.40	89.88	94.00	91.00
Sep	95.12	91.90	95.75	93.00
Dec	97.00	93.90	97.75	94.70
Mar	99.63	97.00	0	97.75
May	101.38	98.75	102.25	102.00
Jul	103.50	102.50	102.50	102.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.88	15.97	16.05	15.73
Jul	15.70	15.76	15.90	15.64
Oct	15.24	15.29	15.36	15.15
Mar	14.19	14.26	14.34	14.15
May	14.08	14.11	14.20	14.00
Jul	13.99	14.00	14.00	14.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	70.63	71.61	71.95	70.57
Jul	71.00	71.98	72.35	70.98
Oct	66.55	67.24	67.30	66.55
Dec	65.11	65.78	65.80	65.01
Mar	66.00	66.69	66.55	66.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	189.05	193.25	194.80	189.00
Jul	186.50	191.40	192.00	186.50
Sep	182.50	186.50	187.75	182.50
Nov	176.00	179.00	179.00	176.00
Jan	170.50	172.60	173.00	170.50
Mar	171.25	173.50	173.00	173.00
May	171.25	174.00	174.00	173.50
Jul	171.25	174.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 20	Mar 19	mnth ago	yr ago
1910.6	1919.5	1804.5	2012.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 19	Mar 16	mnth ago	yr ago
Spot	133.98	134.16	130.22	138.61
Futures	133.78	133.69	132.20	140.67

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	592/4	590/0	593/4	587/4
May	602/6	600/0	604/0	597/4
Jul	616/0	614/0	617/2	611/0
Aug	620/2	617/4	621/4	615/4
Sep	619/4	616/6	622/0	616/0
Nov	625/4	624/4	626/0	621/4
Jan	635/0	634/2	636/0	631/4
Mar	646/0	644/4	646/0	642/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.58	22.61	22.58	22.34
May	22.66	22.71	22.75	22.50
Jul	22.70	22.74	22.78	22.65
Aug	22.50	22.58	22.58	22.44
Sep	22.28	22.35	22.35	22.20
Oct	22.07	22.07	22.15	21.88
Dec	21.92	21.95	22.01	21.76
Jan	21.70	21.87	21.90	21.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	170.5	169.5	170.5	168.5
May	171.8	169.5	172.6	169.5
Jul	176.2	174.3	175.8	174.4
Aug	176.5	176.5	178.0	175.5
Sep	180.3	178.5	180.0	178.0
Oct	181.6	180.3	182.0	180.7
Dec	186.8	184.2	186.0	185.0
Jan	188.7	185.5	187.0	185.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	250/0	251/0	259/4	250/0
May	259/2	257/0	259/4	256/0
Jul	264/2	262/6	264/4	261/4
Sep	260/4	259/4	261/0	259/4
Dec	259/2	258/6	259/4	257/2
Mar	266/4	265/4	266/4	264/4
May	268/4	265/6	268/4	265/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	402/2	398/4	402/6	399/4
May	361/0	369/0	361/4	356/0
Jul	343/0	340/0	344/0	341/2
Sep	350/2	348/4	350/6	347/0
Dec	364/4	362/2	365/0	361/4
Mar	370/0	369/2	370/0	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.62	78.15	78.00	78.75
Jun	73.30	73.10	73.50	73.05
Aug	72.70	71.85	72.00	71.77
Oct	73.47	74.92	74.25	73.45
Dec	74.50	74.20	74.45	74.20
Feb	74.00	74.82	74.80	74.00
Apr	74.90	75.00	74.50	74.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	53.22	53.72	53.80	53.12
Jun	57.20	57.27	57.55	56.82
Jul	55.32	55.35	55.57	55.00
Aug	52.62	53.07	53.07	52.50
Oct	45.42	45.97	46.60	45.37
Dec	46.25	46.90	46.62	46.22
Feb	46.10	46.32	46.60	45.70
Apr	46.10	46.20	46.50	45.80
Jun	48.50	48.50	48.50	48.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Apr	119.5	119.0		
Jun	118.0			
Aug	118.0			

LONDON STOCK EXCHANGE

Cautious welcome for the Chancellor

THE LONDON equity market gave a cautious and not wholly convincing reception to yesterday's Budget measures from Mr John Major, the UK Chancellor of the Exchequer. The FT-SE Index, already moving higher despite the increase in the Japanese discount rate, extended its advance during the Budget Speech to close with a gain on the day of 21 points.

However, many analysts criticised the Budget for lacking sufficient stringency, and Mr Richard Kersley at BZW was among those to stress the immediate negative reaction from the UK Gilts market.

Strategists at leading UK securities firms praised the Chancellor's skill in producing a "relatively neutral Budget" against a difficult political and economic backdrop which most agreed left him little room to manoeuvre. However, his indexation of excise duties levels and personal tax allowances implies some risks with inflation over the near term, in the view of Mr John Reynolds at County NatWest.

The same theme was expressed by Mr Trevor Laugharne at Kleinwort Benson who characterised the Budget as containing "too many risks and not sufficient reassurance for the financial markets." Mr Nicholas Knight of Nomura Research said he was trimming his year-end forecast for the Footsie from 3,000 to 2,800 after a "disappointing Budget, not quite as tight as one hoped."

However, the plan to abolish Stamp Duty on securities transactions was good news for the stock market which also hopes for benefit from the Chancellor's moves to encourage personal savings.

The FT-SE Index, 13 points up when the Chancellor began his speech, closed 21.7 points ahead at 2,259.7, the best of the day and, incidentally, compared with a level of 2,125.4 immediately after the 1989 Budget. In early trading yesterday equities brushed off the rise in Japanese discount rate and disappointing data on bank and building society lending in the UK. Turnover was light, however, with the final Seaq volume total of 376.2m.

The equity market appeared unruffled by the dip in sterling during the Budget Speech, believing that Mr Major's reiteration of commitment to a strong exchange rate and the fight against inflation would sustain the currency and thus reduce the dangers of a further hike in UK base rates.

The stock market traded a somewhat erratic course in its response to last year's Budget presented by Mr Nigel Lawson (see chart). After peaking in early September, the Footsie gave back most of its gain as successive increases in UK base rates began to bite – but raced upwards again towards the year-end on hopes of an early cut in rates. The effects of high interest rates fell most severely on the capital goods sector.

Account Dealing Dates

First Dealings	Option Declarations	Last Dealings	Account Day
Mar 12	Mar 22	Mar 23	Apr 2
Mar 26	Apr 5	Apr 6	Apr 17
Apr 9	Apr 26	Apr 27	May 8

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Mar 20	Mar 19	Mar 16	Mar 15	Mar 14	Year Ago
Government Secs	76.79	77.12	77.60	77.02	77.16	88.10
Fixed Interest	86.57	86.56	86.60	86.47	86.79	95.63
Ordinary Share	1777.6	1759.9	1769.4	1765.7	1758.6	1709.6
Gold Mines	295.6	292.8	285.6	283.5	281.2	194.7
FT-SE 100 Share	2259.7	2238.0	2253.9	2234.9	2226.1	2072.2

Ordinary Share Index, Hourly changes: Open 1768.1; 10 a.m. 1769.5; 11 a.m. 1768.9; 12 p.m. 1769.9; 1 p.m. 1769.1; 2 p.m. 1769.1; 3 p.m. 1769.1; 4 p.m. 1770.4. Day's High 1777.6. Day's Low 1766.1.

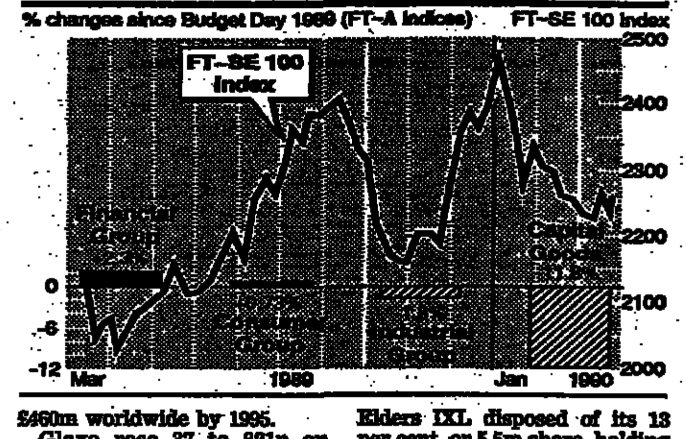
FT-SE, Hourly changes: Open 2244.3; 10 a.m. 2248.4; 11 a.m. 2245.7; 12 p.m. 2247.6; 1 p.m. 2247.8; 2 p.m. 2248.1; 3 p.m. 2249.0; 4 p.m. 2252.7. Day's High 2259.7. Day's Low 2244.3.

GILT EDGED ACTIVITY

Indices	Mar 19	Mar 16
Gilt Edged Bargains	94.5	76.7
5–Day average	88.1	88.1

Retailer ratings changed

% changes since Budget Day 1989 (FT-A Indices) — FT-SE 100 Index



Retail stocks reacted sharply to unexpected developments on the wages front at two big retail employers.

Marks and Spencer fell after the company said it would award pay rises of up to 26.5 per cent spread over three years. Several broking houses cut their profit forecasts for the company with Goldman Sachs, for example, trimming its figures for next year by £15m to £650m.

The slide in M & S brought out bargain hunters and the shares recovered from their low of 189p to close unchanged in the day at 193p. Turnover was the highest in the sector at 7.1m shares.

Mr Paul Deacon at Goldman Sachs said the pay rises were a reflection of productivity improvements at M & S but that other companies would be struggling to follow suit. Kingfisher slipped 2 to 283p and Sears closed ½ off at 99p.

Food retailing shares were depressed by J. Sainsbury's pay awards to its retail staff of between 8.5 and 20 per cent. Sainsbury was down 3 at 259p, while Tesco fell 4 to 186p, and Argyll eased 2 to 206p. "The market reckons that the other food retailers will have to follow Sainsbury's lead," one dealer said. Mr Keith Wills of Goldman Sachs said that wages as a proportion of profits were high among food retailers and so the market had been correct to mark the sector lower.

The news prompted Hoare Govett to move Sainsbury's from a buy to a hold, with Tesco's already a hold. But Hoare believed Kwik Save, down 6 at 438p, and Morrison, unchanged at 161p, would be protected by their northern bias and remained on its buy list.

Glaxo boost

Glaxo staged a strong run as dealers and investors in the US caught whiff of an article to be published in the New England Journal of Medicine which makes a positive assessment of the drug Ondansetron.

The drug, under its trade name Zofran, gained approval earlier this month for use in France and the UK. It is used to control the nausea side effects of cancer chemotherapy.

The US Food and Drug Administration meets in May to discuss the drug, and US approval should follow within 12 months, according to analysts. BZW estimates sales of £460m worldwide by 1995.

Glaxo rose 37 to 821p on exceptionally good volume for the stock of 4.5m. Dealers said the improvement had been exacerbated by a shortage of the shares in New York.

Good Standards

There were no big surprises in Standard Chartered's preliminary results and they were given a warm welcome by the market. On Monday there had been vague talk that a merger with Royal Bank of Scotland was on the cards.

Standard's shares moved up to touch a day's best of 549p, before easing in mid-session and eventually closing a net 2 higher at 545p; turnover was higher than usual at 1.5m shares.

The bank, which only last week revealed it would make a provision of $80m against loans to Miniscribe, a US computer firm, announced profits of £67.1m compared with last year's £313.3m, after provision of £167.9m for bad debts, and a £427m provision against lesser developed country (LDC) debt.

In January, the bank warned of sharply reduced profits, citing bad debts in the UK business, problems in Australia, and the suspension of interest payments by Brazil.

Standard's provision against LDC debt is now up to 58 per cent compared with about 50 per cent at Midland and the near 70 per cent levels of Barclays, NatWest and Lloyds. Dealers said the shares were helped by ever-present takeover speculation and by the good dividend yield.

Greene King placed

Greene King steadied after recent sharp falls to close a penny off on the day at 326p. On March 9, Australian brewer Elders IXL disposed of its 13 per cent, or 5.5m share, holding in Greene King. More than 3m of that was quickly placed by Credit Suisse First Boston at 355p.

Since then the price has fallen sharply and CSFB yesterday placed its remaining holding with investors at 315p. At the same time, CSFB cut the price payable by institutional investors who had taken up the first part of the placing. They will now pay 315p a share. Analysts explained that it was difficult to place several million shares in a market that normally traded in 5,000 share blocks. They added that the transaction was likely to have cost CSFB more than £2m.

Link severed

Globe Investment Trust, Britain's biggest investment trust and the only one in the FT-SE 100 share index, yesterday finally severed its shareholding links with Electra, its fellow trust. The landmark was reached when Cazenove placed through the market a third of the 39.2m Electra shares offered to the shareholders of Globe.

Globe set up, as the 26 per cent holding, its biggest single investment in its portfolio, to shareholders at 260p a share. This represented a discount of some 13.7 per cent to Electra's net asset value when the deal, which raised £101m before expenses for Globe, was announced.

Valid acceptances were received for 26m shares, some 66.4 per cent, of the shares offered, and the balance of 13.18m was placed yesterday morning at 264p a share. The Seaq system does not record volume in Electra, up 3 at 268p, but traders felt sure the stock took the day's trading honours. Globe closed 2 higher at 173p.

The banks, marginally firmer ahead of the budget, staged a strong run after the Chancellor's proposals regarding the tax treatment of provisions against lesser developed country debt. The moves to boost savings were also a stimulant, dealers said.

There were outstanding performances from the leading banks, with NatWest 14 ahead at 344p, on turnover of 1.9m, and Barclays 11 better at 573p. Lloyds added 11 at 288p but Midland lagged the other big banks, closing only 6 firmer at 348p. But there were worries, dealers said, about the moves to cap tax relief, with Lloyds said to be potentially vulnerable to the changes.

Abbey National were 5¾ higher at 190¼p and TSB 4 to the good at 134p.

The savings theme in the budget was said to have boosted sentiment in the insurance areas of the market. Prudential were keenly supported and moved up 5 to 204p with turnover expanding to 2.9m, while Refuge added 12 at 642p and Britannic put on 5 at 580p.

The best performers in composites were Royal, up 9 to 467p, and Commercial Union which edged up 4 to 467p.

The brewery sector shuddered briefly on news that excise duties were rising roughly in line with inflation. The hesitancy did not last long, however, and leading stocks regained their composure to close the day with rises in line with the rest of the market.

The exception was the spirits sector – the duty on spirits was raised by more than inflation – with Highland Distillers sliding 7 to 213p and Macallan Glenlivet easing 2 to 808p.

The prospects of a four-day analysts' visit to North America to see the operations of Grand Metropolitan's Pillsbury division underpinned Grand Met's shares, which closed 5 better at 567p.

Allied-Lyons was helped by a recommendation from Robert Fleming. "Around 45 per cent of profits next year will be derived from the international wines and spirits business," said Mr Philip Shaw of Fleming.

HTV's five months' figures were accompanied by a warning that difficult trading conditions were affecting net advertising revenue. HTV fell 13 to 101p.

Yellowhammer climbed 6 to 42p as Woollams Moira Gaskin O'Malley, a privately owned advertising agency, revealed it had bought 1,015,500 shares, or a 9.3 per cent stake.

GWR continued to weaken in the face of fears that advertising revenues for independent radio were under pressure. The shares shed another 15 to 465p.

The building sector of the market showed no sign of retreating despite the absence of any moves to cushion the impact of high mortgage rates. Turriff Construction, still boosted by the good results announced on Monday, added 10 more at 291p.

The front-line telecoms/electronics edged higher during the late afternoon with British Telecom closing 4¼ to the good at 277p on turnover of 5.4m shares. Cable & Wireless were a similar amount up at 543p after confirmation of the sale of the 20 per cent stake in Hong Kong Telecom to CITIC.

Cambridge Electronic Industries were 3 higher at 170p, having been down to 158p at one point, after the group revealed full-year profits down from £15m to £11m accompanied by news of a restructuring of the group involving the sale of its electronics components businesses.

BSG International rose 2½ to 62p after reporting full-year figures in line with market expectations. Profits improved only slightly to £23.4m but caused some analysts to revise forecasts for the current year. Smith New Court is predicting a figure of £25.5m for 1990.

BBA followed the market to close a penny up at 153p. BZW, however, cut its 1990 profits forecast from £105m to £96m, saying; "continuing weakness in the parts after market will dampen profits growth, despite the strong non-automotive business." BZW predicted profits of £106m for 1991.

Geest was off 5 at 229p after revealing annual profits of £20m (£18m) which were slightly less than market expectations. Brake Brothers, off 2 at 253p, fell with the rest of the food retailing sector, although support was provided by final profits of £11.7m against £9.6m last time. Unilever was weakened by suggestions of switching out of the plc and into the NV. Unilever plc shares were off 3 at 662p.

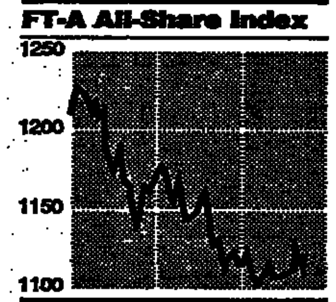
City Gate Estates jumped 44 to 136p as the market reacted to the news late on Monday that the property developer had recommended a cash offer offer worth £22.1m from a Netherlands subsidiary of Fastighets Accura.

The oil and gas sector was largely unmoved after news of increases in duty on petrol, both leaded and unleaded and diesel. There was thin turnover in the majors, with BP marginally easier at 334p, despite the cost-cutting moves confirmed on Monday. Shell held at 462p with the explosion at the group's Stanlow refinery not having any impact on the stock.

LASMO added 3 at 621p after the Daiwa Securities' buy recommendation. Enterprise Oil were 4 ahead at 609p. Dealers still expect the ICI stake in Enterprise, 25 per cent, to be placed in the market and said the overhang had depressed the share price with fund managers expecting to pick up cheap stock during the placing.

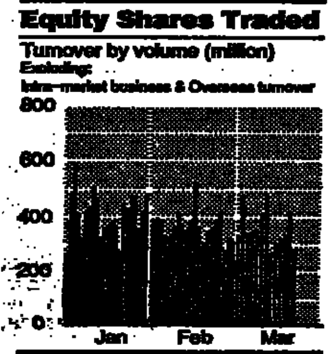
■ Other Market statistics, including the FT-Actuaries share index, Page 25

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (17).
AMERICANS (1) CANADIANS (2) BANKS (1) STORES (2) ELECTRICALS (4) FOODS (1) INDUSTRIALS (1) Schlumberger. MOTORS (1) PROPERTY (1) TRUSTS (1) OILS (2) MINES (1).
NEW LOWS (98).
BRITISH FUNDS (3) LOANS (1) AMERICANS (1) BANKS (2) BREWERS (3) BUILDINGS (3) STORES (9) ELECTRICALS (4) ENGINEERING (3) FOODS (4) INDUSTRIALS (11) Benson Group, Dobson Park, Kalon Group, Porth Group, Powell Duffryn, Smithkline Beecham Eq. Units, Stonehill, Unigroup, West Industries, Willis Group, Wilshaw. INSURANCE (1) LEISURE (6) MOTORS (1) PAPERS (6) PROPERTY (3) TEXTILES (2) TRANSPORT (2) TRUSTS (8) OILS (1) OVERSEAS TRADERS (1) MINES (1).

LONDON SHARE SERVICE

BRITISH FUNDS — BRITISH FUNDS—Contd — INT. BANK AND O'SEAS — CORPORATION LOANS — COMMONWEALTH & AFRICAN LOANS — LOANS — FOREIGN BONDS & RAILS — AMERICANS — AMERICANS—Contd — CANADIANS

Continued on next page

APPOINTMENTS

Senior posts at NatWest subsidiary

■ NATIONAL WESTMINSTER BANK has made the following appointments as a result of an organisational restructure at its home loans subsidiary. Retaining his role as deputy managing director, Mr Keith Chantrey, takes over day-to-day running of the business as director of customer service.

Mr Russell Simm will be director of information technology. Since joining NatWest in 1988 he has been senior manager, information technolgy.

Mr Ian Finlayson, who joins NatWest Home Loans from Nationwide Anglia Building Society, will be the director of a new business development division, which is being created to rationalise a number of sections within NatWest that have dealt with the bank's mortgage business. Mr Gil Gillis remains managing director.

■ WINDSOR LIFE has promoted Mr Mike Dixon to executive director - agency from area manager; and Mr Roy Kennedy to sales director from senior regional manager.

■ Mr David Shaffer has been appointed president and chief operating officer of MACMILLAN, a Maxwell company, in succession to Mr William F. Reilly. Mr Shaffer was executive vice president. Mr Reilly has resigned to manage K-III Holdings, L.P., of which he is president and chief executive officer.

■ Hewgate Metal Roofing Systems, part of Hewgate Construction Group when it was taken over by Graham Wood, has been floated as a separate company and renamed HEWGATE METAL ROOFING. Mr John Tibbs has been appointed managing director.

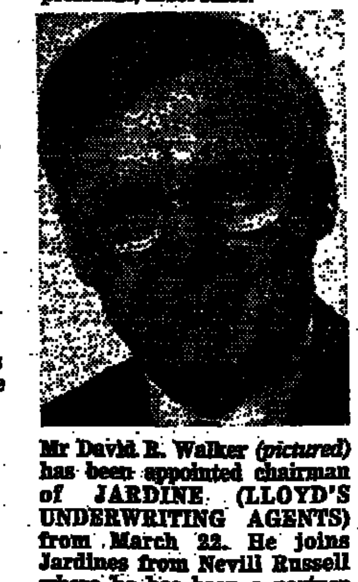
■ TITON HOLDINGS has appointed Mr Stuart Fishman as vice president, sales and marketing, of Titon Inc, its US subsidiary.

■ CHURCHILL TABLEWARE has appointed Mr Mel Robbins as key accounts director, home and overseas.

■ Mr Bill Smith has been appointed chief equity strategist at BARCLAYS DE ZOETE WEDD and a director of BZW Securities. He joins from Prudential-Bache Capital Funding, where he was a joint managing director and equity strategist.

■ Mr Gurth Hoyer Millar has been appointed a non-executive director of BUNZL. He is a main board director of J. Sainsbury, and chairman of Homebase. Other non-executive directorships include London & Edinburgh Trust, Hudson's Bay Company of Canada, and the chairmanship of Bonhams.

■ Mr Charles Fairhurst has joined the board of BROWN, SHIPLEY & CO as director, syndication and distribution. He was with Bankers Trust Co where he was vice president, asset sales.



Mr David R. Walker (*pictured*) has been appointed chairman of JARDINE (LLOYD'S UNDERWRITING AGENTS) from March 22. He joins Jardines from Nevill Russell where he has been a partner for 18 years.

■ STURGE HOLDINGS has appointed Lord Nicholas Gordon Lennox as a non-executive director. He recently retired as the British Ambassador to Spain. He is also a director of Foreign & Colonial Investment Trust, and of NatWest March.

■ DEXION has appointed Mr John J. Greisch as managing director of the storage division. He has been group financial director since last October, and previously was vice president - finance for the North American materials handling division of Dexion's US parent, The Interlake Corporation.

■ SCHRODER INVESTMENT MANAGEMENT has made the following appointments from April 1. Mr A.M. Gaulter becomes secretary. Mr D.H. Clough, Mr J.D.A. Crook, Mr N.D.B. Dalton, Mr F.N. Marshall, Mr S.M.J.G.G. Selfslagh and Mr O.N. Siedler are made assistant directors.

Mr G.D.L. Ralston and Mr F.J. Tjia have been appointed directors of Schroder Capital Management Inc, and Miss J.P. Smith and Mr M.J. Smith become first vice presidents.

Mr G.P. Aherne, Miss M.S. Hall, Mr R.A. Mountford, Mr A. Rose and Mr J.A. Troiano are made directors of Schroder Investment Management (UK) - formerly Schroder Pensions.

Mr M. Dobbs has been appointed a director of Schroder Investment Management (Japan). Mrs J. Pain and Mr R.D. Hutchinson have been appointed directors of Schroder Investment Management (Europe).

■ Mr C. Beck, deputy chairman and joint managing director of John Mowlem and Company, has joined the board of THE BUILDERS' ACCIDENT INSURANCE.

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	253	+6	44c	1.4	7.9	9.0
195	134	Abbey National 10p	190½	+5½	5.7	4.3	4.0	7.7
*282	120½	Allied Irish Ord.	243	+1	ttQ8%	3.3	3.1	13.5
£13½	£11½	Algemene Fl.10	£13¼	−⅛	Q28%	2.0	6.8	7.4
*85	61	Anglo Irish	85	+2	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	73	.....	2.5	1.3	4.6	21.0
£72¼	£38¼	Bancaire Cie Fr100	£62¾	+¼	Q2½%	–	2.2	–
£46½	£35¼	Banco Bilbao Viz	£37	.....	Q35.7%	2.0	3.9	12.8
£33	£25¼	Banco de Santander	£26½	.....	Q25%	2.4	4.2	9.9
*286	169	Bank Ireland Ir£1	263	+1	Q12.3%	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	118	+1	†3.8	3.6	4.3	8.5
111¼	91½	Do. 9¼pc Irrd Pf.	92	.....	9¼%	–	13.4	–
*67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
*588	404	Barclays £1	573	+10	27.4	q3.6	6.4	5.7
31	17	Benchmark 20p	17	−1	1.63	1.0	13.3	9.3
363	285	Brown Shipley £1	314	+1	†10.5	–	4.5	–
455	325	Cater Allen £1	413	+3	23.5	–	7.6	–
259	149	Chancery	152	+3	†8.0	2.8	7.0	6.7
£23¼	£14½	Commerzbk DM10	£22¼	+¼	Q18%	–	3.0	–
*£29	£22¼	C'hgn. Hbk. Kr100	£25⅞	+1⅛	Q15%	–	5.3	–
£16¾	£10	Dai Ichi KBk Y50	£10¼	−⅛	tQ16%	8.8	0.3	36.6
*£314¼	£156¼	Deutsche Bk DM50	£291¼	−4½	Q24%	–	1.5	–
£22¼	£17¼	Espirito Santo	£19¾	.....	Q75c	3.3	2.3	13.5
260	182	First Nat. Fin. 10p	219	+1	13.0	2.4	7.9	6.8
134	90	FNFC 6.3pc Cv. Pf.	114	+1	6.3%	–	7.4	–
£16¾	£12½	Fuji Bank Y50	£12½	−⅛	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	275½	+3½	18.5	–	9.0	–
154	118	Guinness Mahon 10p	148	.....	♦2.1	–	1.9	–
328	197	Hambros 20p	284	−1	†10.0	–	4.7	–
128	90	Do. 7.5pc Cv Pf.	112	.....	7½%	–	8.9	–
60	39	HK & Shang. HK$2.50	55½	−1	Q42c	–	5.9	–
495	423	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
145	115	King & Shaxson 20p	138	.....	9.25	–	8.9	–
422	277	Kleinwort Benson Grp.	390	−3	16.0	♦	5.6	♦
665	556	Kyowa Bank Y50	561	+5	Q14%	4.7	0.5	40.4
307½	213	Lloyds £1	288	+11	13.3	q2.6	6.2	8.3
56	40	Lon. Scot. Bank 10p	48	−1	2.4	1.8	6.7	10.1
406	287	Midland £1	349	+6	18.0	q2.7	7.0	7.1
£15¼	£10⅝	Mitsubishi Bank Y50	£10⅝	.....	tQ16%	8.1	0.3	42.5
£14¼	£8¾	Mitsubishi Tst & Bk Y50	£8¾	.....	Q16%	8.2	0.4	31.0
£10¾	£8¾	Mitsui Bank Y50	£8¾	−⅛	tQ16%	6.0	0.4	46.2
934	602	Mitsui Tst & Bk Y50	621	+5	Q16%	7.1	0.5	27.6
*352	269	Nat. Aust. Bk. A$1	299	+4	sQ50c	1.6	7.6	8.2
365	255	NatWest £1	344	+14	16.7	q3.2	6.5	6.2
£220	£160	Ottoman Bank	£200	+5	Q90%	–	4.5	–
83	40	Rea Bros. Group	40	.....	0.5	–	1.7	–
*240	155	Rothschild (J) Hldgs.	189	.....	†9.5	3.6	6.7	5.4
227	139	Royal Bk. Scotland	183	+3	7.2	3.8	5.2	6.4
822	547	Saitama Bank Y50	547	−11	tQ13%	4.7	0.5	45.1
*£13¼	953	Sanwa Bank Y50	953	−8	tQ16%	8.3	0.3	36.2
1805	870	Schroders £1	1675	.....	19.5	–	1.6	–
1425	655	Do. £1 N/V	1315	.....	19.5	–	2.0	–
£33¼	£19¼	Sec. Pacific $10	£23¾	−⅛	Q$1.96	–	5.0	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	975	DAF N.V. Fl1.5	£11⅝	–⅛	H02.5	1.8	6.1	9.1
162	113	General Mtrs Units	146	.....	[illegible]	–	5.1	–
*61½	27	Millarch Group 5p	36	–2	[illegible]	–	–	–
£220	[illegible]	Volkswagen DM50	£220	[illegible]	[illegible]	2.8	1.7	23.4
£51	[illegible]	Volvo Kr25	£36⅛	+⅛	Q56%	3.1	3.9	8.3

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*305	201	ERF (Hldgs)	208	.....	15.0	3.7	9.6	3.7
*245	156	Plaxton Grp	158	+2	8.5	♦	7.4	♦

Components

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
438	375	Abbey Panels	438	.....	3.5	10.8	1.1	11.6
290	183	Airflow Streamlines	228	.....	6.0	4.2	3.6	8.8
208	143	Bostrom 5p	175	.....	L5.1	10.6	3.9	8.4
299	191	Dowty 50p	218	+4	18.0	2.3	5.1	11.0
261	164	FR Group	166	+1	5.54	3.7	4.4	8.2
*174	74	Kwik-Fit Hldgs. 10p	82	+1	2.4	2.8	3.9	12.2
*725	509	Lucas Inds. £1	623	+10	25.0	2.9	5.4	7.3
*62	12	Spice 5p	12	[illegible]	1.2	0.4	‡	–

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
247	69	Anglesey Mining 9p	150	.....	–	–	–
166	18	Do. Warrants	75	.....	–	–	–

THIRD MARKET

NOTES

[illegible] dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	81	.....
Craig & Rose £1	620	.....
Finlay Pkg. 5p	57	.....
Holt (Jos) 25p	1343	–2

Arnotts	445	+15
Carrol (P.J.)	162	–1
Hall (R. & H.)	188	.....
Helton Hldgs	90	.....
IRG	215	.....
United Drug	167	.....

IRISH

Cap. 8½% Ln. 1991	£96	.....
9pc Cap Ln. 1996	£90½	.....
Fin. 13% 97/02	£107½	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.93	52.93xd	56.61	+0.1	4.84
Gilts & Fixed Int	6	100.9	100.9xd	107.0	+0.2	10.28
High Inc Equity	6	131.4	134.7	143.4	-0.5	4.43
Worldwide Bond	6	198.8	198.8xd	210.6	-0.6	6.13
Capital Growth						
American Growth	6	195.6	197.4	210.0	+0.1	0.98
Asian Pacific	6	133.7	136.7	145.5	+2.1	0.00
Assets & Earnings	6	152.0	152.0	162.6	-0.3	2.98
Capital Reserve Acc	0	89.26	89.26	89.41	+0.1	6.71
Capital Reserve Inc	0	74.58	74.58xd	74.72	+0.1	8.03
Comdty & Energy	6	112.0	112.0xd	119.8	+0.5	0.70
Dividend & Growth	6	45.31	46.36	49.32	....	4.56
1992 Enterprise	6	60.40	61.75	65.70	-0.06	2.44
Euro Capital Acc	6	103.7	103.7	111.0	-0.2	0.86
Euro Capital Inc	6	99.91	99.91xd	106.9	-0.3	0.89
General	6	169.9	169.9	181.8	-0.4	2.75
International	6	61.54	62.52	66.52	-0.14	0.75
Japan	6	97.40	97.40	104.2	-3.1	0.00
Mastertrust	6	89.51	89.51	95.74	-0.39	1.47
UK Growth Acc	6	173.4	173.4	185.5	+0.2	1.54
UK Growth Dist	6	114.7	114.7	122.7	+0.2	2.32
US Emerging Cos	6	57.53	59.04	62.81	+0.22	0.00
Income & Growth	6	292.7	292.7	313.1	-0.3	3.27
Ethical	6	47.41	47.41	50.71	-0.05	1.97
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.17	33.17	35.41	+0.03	2.29
European	5¼	90.76	90.92xd	97.06	-0.71	0.00
European Income	5¼	87.13	87.13xd	92.93	-0.26	1.65
Exempt	1	735.6	735.6	759.2	+0.20	1.50
Extra Income	5¼	41.31	41.31xd	44.10	....	4.34
F East Emerg Ecns	5¼	63.35	64.08	68.63	-0.33	0.01
Fund Inv Tst	5	126.0	129.8	138.6	-0.10	1.57
Do Accum	5	197.5	203.6	217.3	-0.20	1.56

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brycourt Unit Tst Mgmt Ltd (1400)F						
Rolleth Hse, Portman Sq, W1H 0JR 01-935 6382						
Income Growth	1	188.6	188.6	195.3	+0.9	4.98
Buckmaster Mangmt Co Ltd (1200)H						
The Stock Exchange, London EC2P 2JT 01-588 2868						
Emerging Grth	5	58.45	58.45	61.81	+0.01	3.27
(Accum Units)	5	60.52	60.52	64.00	....	3.27
Fellowship Tst	5	60.90	62.15	65.95	+0.01	4.22
(Accum Units)	5	63.68	64.98	68.95	+0.02	4.22
General Inc	5	288.0	288.0	304.6	+0.1	3.41
(Accum Units)	5	493.5	493.5	521.9	+0.2	3.41
Income	5	153.3	158.7	165.2	+0.4	4.55
(Accum Units)	5	303.9	308.7	327.5	+0.8	4.55
International	5	113.2	113.2	119.7	-1.1	1.11
(Accum Units)	5	156.5	156.5	165.5	-1.5	1.11
Smaller Co's	5	100.3	100.3	106.1	-0.2	2.29
(Accum Units)	5	111.2	111.2	117.6	-0.3	2.23
Inv Portfolio	2½	53.14	54.12	55.80	-0.19	3.25
(Accum Units)	2½	55.71	56.74	58.50	-0.19	3.25
High Income Port	3	45.31	46.07	47.74	-0.15	6.35
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Short Dated Gilt	1¼	54.81	54.81xd	55.65	-0.03	12.97
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
CCF Sel High Inc Eqty	5½	46.34	46.34	50.17	+0.10	5.5
CCF Sel Intl Grth	5½	47.89	47.89	51.46	-0.19	1.41
CCF Sel Inv Tst	5½	46.06	46.06	50.13	-0.02	2.0
CCF Sel UK Sm Co's	5½	45.43	45.43	49.78	-0.03	1.0
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	52.16	53.40	56.81	+0.16	2.86
Global Tst	5½	45.62	46.14	49.08	-0.03	0.35
Recovery Tst	5½	45.16	46.42xd	49.38	+0.12	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	112.4	114.2	120.5	-0.10	4.36
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	98.95	100.4xd	106.9	-0.4	2.47
UK Income	6	100.1	101.8	108.3	-0.3	5.75
CS Fund Managers Limited (1000)H						

GUIDE TO UNIT TRUST PRICING

FT UNIT TRUST INFORMATION SERVICE

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INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pension Ltd

Prudential Pensions Limited

Refuge Assurance

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. B. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

TSB Trust Funds (CI)

IoM (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

مكتبة الأسد

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Hill Samuel Investment Services Intl SA
Marktgasse 63/65, 3001 Berne, Switzerland 224051
HSH Samuel Global Portfolio

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or −	Yield Gr's
Global Equity		$	9.47		—	—
Global Bond		$	9.20		—	—
Global Managed		$	9.48		—	—
Sterling Fixed Int		£	9.45		—	—
European Fixed Int		DM	8.85		—	—
UK Equity		£	9.07		—	—
UK Smaller Co's Eqty		£	9.56		—	—
Nth American Equity		$	9.58		—	—
US Smaller Co's Eqty		$	9.26		—	—
Japanese Equity		Y	936		—	—
European Equity		DM	10.12		—	—
Pacific Basin Equity		$	9.28		—	—

Hypo Foreign & Colonial P'folio Fd Sicav
1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680
Foreign & Colonial Portfolios Fund

Am Smir Cos Eq(1-3)		$	11.22		—	—
Oriental Eqty(1-3)		$	10.39		—	—
European Eqty(1-3)		$	14.76		—	—
Nordic Equity		$	15.30		—	—
Amer Majors Equity		$	9.54		—	—
West Pacific Equity		$	10.80		—	—
Medit'n Equity		$	9.73		—	—
British Equity		£	9.24		—	—
US Dlr S-Term Asset		$	—		—	—
Stlg Short-Term Asst		£	—		—	—
Nth American Bond		$	9.90		—	8.4
Multi-Currency Bond		$	10.02		—	8.60
Sterling Bond		£	9.25		—	10.80

* Daily dealing

Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 404461

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Lazard Fund Managers—Contd.

	Bid Price	Offer Price	+ or −	Yield Gr's
Lazard Japan Fund	$51.49	52.02	−4.81	—
Lazard Nth Am	$20.62	21.06	+0.08	1.0
Lazard Sel Port £ Cap	£13.85	14.09	—	—
Lazard Sel Port £ Inc	£9.11	9.50	—	13.39
Lazard Sel Port $ Cap	$13.88	14.13	—	—
Lazard Sel Port $ Inc	$8.50	8.90	—	8.30
Lazard U.K.	£1.313	1.300	+0.003	—

M & G Island Fund

Island	649.4	688.4	−3.0	2.78
(Accum Units)	1264.1	1339.9	−6.1	2.78

MIM Financial Mngt Intl Ltd

Mngd. Currency	£6.669	7.007	+0.006	5.71

[illegible]

Save & Prosper International

[illegible]

Schroder Mngt Services (Jersey) Ltd

[illegible]

Scimitar Worldwide Money Fund Ltd

[illegible]

Scimitar Worldwide Selection Fd Ltd

[illegible]

Wardley Investment Services Ltd

Wardley S.E. Asia Tst	$12.26	13.02	−0.33	0.84
Japanese Warrants	$7.40	7.93	—	—
Asian Warrants	$9.26	9.81	—	—
European Warrants	$9.64	10.21	—	—

Wells Fargo U.S. IT Fund

NAV Mar 19		$9.69	—	—

Xiphias International Investment Fd Ltd

Xiphias Int USD		$0.9985	—	—
Xiphias Int ECU		Ecu1.0023	—	—

Yamaichi Dynamic Mngt Co SA

Advanced Tech		$25.68	—	—

JERSEY (**)

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

DUBLIN (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

Money Market Trust Funds

Charities Aid Fndtn Money Mngmt Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114

	Gross	Net	Gr Equiv CAR	Int Cr
Cafcash Deposit Fd	14.90	—	15.75	3-Mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

Deposit	14.90	—	15.75	3-Mth

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX 01-236 1425

Call Fnd	14.98	11.72	16.08	6-Mth
7-day Fund	15.02	11.75	16.13	6-Mth
Special Fund	14.86	—	16.36	Mth
Dollar	7.00	5.40	7.45	3-Mth

Money Market Bank Accounts

Aitken Hume Bank plc
30 City Road, EC1Y 2AY 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	13.50	10.56	14.64	Qtr
Hi Int Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Hi Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Hi Int Chq £50,000+	14.50	11.35	15.94	Mth

Allied Trust Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-629 6802

OMNIA (£2,001 +)	14.78	11.57	16.265	Mth
HICA (£2,001 +)	13.90	10.88	15.248	Mth

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN 01-625 7000

2,000-9,999	13.730	10.750	14.922	Qtr
£10,000+	14.050	11.000	15.283	Qtr

Bank of Scotland
38 Threadneedle St, EC2P 2EH 01 601 6746

Money Mkt Cheque Acc	13.6	10.64	14.91	Mth

Barclays Capital Advantage Account

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UNIT TRUST NOTES

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound eases on Budget

THE UK Budget, US economic news on trade and consumer prices, and the rise in the Japanese discount rate all vied for attention on the foreign exchanges yesterday.

Sterling was steady against the dollar and yen, but had gained ground against the D-Mark and most other Continental currencies as Mr John Major, the UK Chancellor, began his Budget address to Parliament. As trading closed in London, however, the pound had a weaker tone after Mr Major had said that the terms for UK membership of the Exchange Rate Mechanism of the European Monetary System were unchanged, and went to suggest that a significant fall in inflation was still some months away.

The Chancellor revised his estimate of the annual increase in the retail price index in the fourth quarter of this year to a little over seven per cent, from the forecast of 5.75 per cent made last November. He added that UK inflation should fall below 5 per cent in 1991, but the pound reacted negatively.

At the London close sterling had lost 10 points to $1.6110 The pound rose to DM2.7325 from DM2.7125; to SFr2.4425 from SFr2.4325; to FFr9.2275 from FFr9.1725; and to Y247.75 from Y247.50, but was well below the day's peaks after the Budget. Sterling's index rose 0.1 to 86.0.

The dollar was supported by news that US consumer prices rose 0.5 per cent last month. This was below the January gain of 1.1 per cent, but well above forecasts of 0.2 per cent, and led to comments that the Federal Reserve was unlikely to ease its monetary stance on this figure.

It was also announced that the US trade deficit widened to $9.25bn in January from a revised $7.68bn in December, but this was in line with market estimates. In London the dollar rose to DM1.6960 from DM1.6830; to Y153.85 from Y153.50; to SFr1.5155 from SFr1.5085; and to FFr5.7275 from FFr5.6900. Its index advanced to 68.5 from 68.2.

The Japanese yen remained weak in spite of an increase of 1 per cent to 5¼ per cent in the Bank of Japan's discount rate. The market regarded the move as too little and too late to provide much help for the yen, and again moved in to sell the currency. Dealers said it appeared the Bank of Japan had no cards left to play apart from further intervention to defend the yen.

Intervention by central banks helped put a floor under the yen yesterday, but failed to lift the currency. The Bank of Japan moved into the market in Tokyo, selling an estimated $500m, after it became clear that the interest rate rise had not produced the desired impact. This was followed by support for the currency by the US Federal Reserve, Bank of England, Bundesbank, and the Swiss National Bank. but dealers believed the central banks were acting as agents for the Bank of Japan and that it was not a significant and co-ordinated act by the Group of Seven to defend the yen.

EURO-CURRENCY INTEREST RATES

Mar 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15-14¾	15¼-15⅛	15⅜-15¼	15½-15⅜	15⅝-15½
US Dollar	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8½	9-8⅞
Can. Dollar	12⅞-12⅝	12⅞-12⅝	13⅛-12⅞	13⅛-12⅞	13⅛-12⅞	13⅛-12⅞
D. Guilder	8⅝-8⅜	8⅝-8⅜	8⅞-8⅝	8⅞-8⅝	9-8⅞	9⅛-9
Sw. Franc	8⅝-8⅜	8⅝-8½	8⅞-8⅝	9⅛-9	9⅛-9	9⅛-9
Deutschmark	7¾-7½	7¾-7½	7⅞-7¾	8⅛-8	8⅜-8¼	9⅛-9
Fr. Franc	10⅛-10⅛	10¼-10⅛	10⅜-10¼	10⅝-10½	10⅞-10¾	11⅛-11
Italian Lira	13-11	12¼-11½	12¼-12¼	12½-12¼	13-12½	13⅛-13⅛
Belgian Franc	10⅛-10⅛	10¼-10⅛	10⅜-10¼	10⅝-10½	10⅞-10⅝	10⅞-10⅝
Yen	7-6⅞	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	8-7⅞
D. Krone	12-11⅞	12⅛-12	12¼-12⅛	12¼-12⅛	12¼-12⅛	12⅜-12⅞
Asian $Sing	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8½	9-8⅞

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9⅜-9¼ per cent; four years 9⅜-9⅜ per cent; five years 9½-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Mar.20	Latest	Previous Close
£ Spot	1.6245-1.6255	1.6135-1.6145
1 month	0.94-0.93pm	0.97-0.95pm
3 months	2.75-2.72pm	2.63-2.61pm
12 months	9.70-9.60pm	9.22-9.15pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Mar.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6075 - 1.6235	1.6105 - 1.6115	0.94-0.92cpm	6.93	2.62-2.59pm	6.47
Canada	1.8965 - 1.9150	1.9020 - 1.9030	0.35-0.27cpm	1.95	0.91-0.78pm	1.77
Netherlands	3.07 - 3.09	3.07 - 3.08	1¾-1⅝cpm	6.59	4¾-4⅝pm	6.10
Belgium	56.65 - 56.95	56.75 - 56.85	29-18cpm	4.97	75-57pm	4.65

MONEY MARKETS

Longer rates firmer

LONGER TERM interest rates had a firm tone in London on the upward revision to inflation estimates in the UK Budget. One-year money was quoted at 15⅞-15⅝ per cent against 15¾-15⅝, but the important three-month rate was unchanged at 15⅜-15¼ per cent.

There was little reaction to the morning's news of a larger than expected rise of £7.3bn in February UK bank and building society lending. The market was looking for a rise of £5.7bn, but shrugged off the figures.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe short sterling fell sharply after the Budget. June delivery opened at 84.75, but touched a low of 84.58 in late trading, before closing at 84.70,against 84.76 on Monday.

Day-to-day credit was in short supply on the London money market. The Bank of England initially forecast a shortage of £800m, but revised this to £850m at noon, and to £750m in the afternoon. Total help of £702m was provided.

Before lunch the authorities bought £76m bills outright, by way of £3m bank bills in band 1 at 14⅞ per cent; £35m Treasury bills in band 2 at 14¾ per cent; and £38m bank bills in band 2 at 14¾ per cent.

In the afternoon another £301m bills were purchased, via £70m bank bills in band 1 at 14⅞ per cent and £231m bank bills in band 2 at 14¾ per cent. Late assistance of around £325m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £781m, with Exchequer transactions absorbing £90m. These outweighed a fall in the note circulation adding £60m to liquidity and bank balances above target of £20m.

In Frankfurt call money was unchanged at 7.85 per cent waiting today's result of this week's securities repurchase agreement tender. The Bundesbank offered funds under a 35-day pact at variable bid rates to replace DM10bn expiring today as an earlier facility expires.

Banks reserve holdings at the Bundesbank averaged DM62.7bn for the first 18 days of March, against a requirement of DM58.5bn for the whole February.

The Bundesbank has not yet set the March reserve figure, but in its monthly report defended the need to operate a minimum reserve system, against the background of uncertainty caused by probable monetary union between East and West Germany.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.20) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.23	Three year	8.65
Two month	7.96	Four year	8.70
Three month	8.25	Five year	8.63
Six month	8.38	Seven year	8.65
One year	8.40	10-year	8.56
Two year	8.69	30-year	8.50

Mar.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	8.10-8.25	8.15-8.30	8.25-8.40	8.70-8.85	8.00
Paris	10⅛-10¼	10⅜-10⅝	-	10⅝-10⅞	-	10.00
Zurich	7⅞-8¼	8¾-9	-	8¾-9	-	-
Amsterdam	7.90-8.00	8.50-8.60	-	8.78-8.86	-	-
Tokyo	6⅞-7⅛	7⅞-7⅞	-	7⅞-7⅞	-	-
Milan	12⅞-13¼	13-13½	-	13¼-13½	-	-
Brussels	10.30	10⅛-10⅛	-	10⅛-10⅛	-	-
Dublin	10⅞-11⅛	11⅞-12	12⅛-12½	12⅛-12⅞	13-13⅛	-

LONDON MONEY RATES

Mar 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	15	15⅛	15⅜	15⅝	15⅞
Interbank Bid	14⅞	14⅞	15	15¼	15½	15¾
Sterling CDs	-	-	15⅛	15¼	15⅜	15⅝
Local Authority Deps.	15	15	15¼	15¼	15½	15⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	16	14⅞	14⅞	14⅝	-	-
Company Deposits	-	-	15¼	15⅜	15⅝	15⅞
Finance House Deposits	-	-	15⅜	15¼	15½	15⅝
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅞	15⅞	15⅞	-
Dollar CDs	-	-	8.38	8.45	8.65	8.88
SDR Linked Dep. Offer	-	-	9⅛	9¼	9⅜	9½
SDR Linked Dep. Bid	-	-	8⅞	9⅛	9¼	9½
ECU Linked Dep. Offer	-	-	10⅞	10⅞	11⅛	11½
ECU Linked Dep. Bid	-	-	10⅛	10⅝	11⅛	11⅞

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14¾ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.6165 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28 ,1990 . Agreed rates for period March 26 1990 to April 24 . 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.41 p.c. Reference rate for period Feb.1,1990 to February 28 , 1990, Scheme IV&V: 15.141 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from March 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
March	1938.0	1937.0	+3.0	1949.5	1928.0	6,236
April	1944.0	1939.0	+4.5	1949.0	1928.0	1,637
May	1947.0	1947.0	+11.5	1947.0	1947.0	129
June	-	-	-	-	-	37

Estimated volume 4,913 Total Open Interest 8,099

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6110	1.6017	1.5850	1.5605	1.5212

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.5918	1.5960	1.5900	1.6170
Sep	1.5730	1.5710	1.5686	1.5880
Dec	-	-	-	1.5636

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.N.East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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JOTTER PAD

CROSSWORD

No.7,194 Set by QUARK

ACROSS

1 Inform on man at the stake (6)
4 Forming syndicates? (8)
10 During hard toil meet in mess for some confectionery (9)
11 It affects the spirit level! (5)
12 Knot done at sea (4)
13 Hint about regulation recalling child that's abandoned (3,5,5)
15 Cut favourite bit of news (7)
16 Could be on prescription or for inscription (6)
19 First of peaks in a row of mountains (6)
21 Regimental dance? (7)
23 The bishop is one on the board (10)
25 Seen in train carrying Indian from Peru (4)
27 Excel in outdoor sports (5)
28 Deposit not yet made as weather unreliable? (9)
29 Put on feet, perhaps (8)
30 In trouble, err and pay for it. Offer this up? (6)

DOWN

1 and 23 Where concern is to study (3,6)
2 Study in the northern factory reveals dreary routine (9)
3 Put out half feelers for advance payment (4)
5 Having to shout excitedly, went beyond the mark (7)
6 Meeting-place after drinks? (6,4)
7 Point downward (5)
8 Maker of cut hardly needed on the pitch (6)
9 Plant offering almost trifling sum (6)
14 Killjoy destroys the wine (5-5)
17 English bird – a friend for ever (9)
18 I'm cut off; damaged rail ends here (8)
20 Eastern painting lacking heart for connoisseur (7)
21 Well-known pest missing – copper brought in (6)
22 See 1 down
24 Devoured, defeated, decapitated (5)
26 Commotion in prison (4)

Solution to Puzzle No.7,193

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices March 19

MONTREAL
Closing prices March 19

Total Sales 4,840,827 shares.

INDICES

NEW YORK

DOW JONES	Mar 19	Mar 16	Mar 15	Mar 14	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2755.63	2741.22	2695.72	2687.84	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.30	90.51	90.39	90.39	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1279.23	1157.01	1148.12	1158.25	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.68	217.49	217.30	217.12	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2761.71 (2745.50) Low 2706.53 (2699.32)

STANDARD AND POOR'S	Mar 19	Mar 16	Mar 15	Mar 14	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	343.53	341.91	338.07	336.89	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	398.80	396.40	391.24	389.65	411.28 (2/1/90)	318.66 (3/1/89)	411.28 (2/1/90)	3.62 (21/6/32)
Financial	28.60	28.70	28.67	28.70	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.66	187.92	186.20	185.68	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	364.12	364.18	362.27	361.37	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	442.91	442.16	438.06	436.15	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 16	Mar 9	Mar 2	year ago (approx.)
Dow Industrial Div. Yield	4.00	4.08	4.26	3.70

	Mar 14	Mar 7	Feb 28	year ago (approx.)
S & P Industrial div. yield	3.09	3.09	3.13	3.13
S & P Ind. P/E ratio	14.80	14.74	14.47	13.17

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Philip Morris	1,906,600	39	+ ⅛
Parker Drill	1,896,300	10	—
IBM	1,607,000	109	+ ⅞
Amax	1,373,000	27⅛	+ 1¼
Norton	1,259,500	74⅞	− ⅛
Citicorp	1,246,200	24⅛	+ ⅛
Am T & T	1,245,900	42⅝	+ ½
Rorer Gp	1,235,500	67	+ 1¼
McDonalds	1,198,300	32⅜	+ ⅜
Nat. Semi	1,179,500	8⅜	+ ⅛

TRADING ACTIVITY

† Volume Millions	Mar 19	Mar 16	Mar 15
New York	142.300	222.520	145.597
Amex	14.535	15.318	12.506
NASDAQ	(a)	176.039	128.676
Issues Traded	1,958	1,946	1,939
Rises	711	891	740
Falls	720	577	668
Unchanged	527	478	531
New Highs	33	41	20
New Lows	38	21	35

CANADA

TORONTO	Mar 19	Mar 16	Mar 15	Mar 14	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3287.07	3268.20	3254.57	3175.55	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	3772.13	3760.70	3757.39	3734.63	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1937.54	1928.81	1926.72	1915.20	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 20	Mar 19	Mar 16	Mar 15	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1596.0	1598.9	1584.5	1572.7	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	835.0	833.9	818.7	806.7	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	699.05	703.29	698.34	680.90	703.29 (19/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6068.60	6052.50	6063.60	6027.90	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	376.96	377.65	377.59	376.49	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	637.0	634.7	637.7	638.2	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	519.26	523.67	526.50	525.77	561.6 (11/10/89)	407.9 (4/1/89)
CAC 40 (31/12/87)	1925.39	1936.96	1958.82	1964.47	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	802.52	810.65	792.96	793.49	810.65 (19/3/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2334.7	2357.8	2305.8	2307.1	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1908.83	1906.77	1889.69	1879.32	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2880.03	2871.39	2886.46	2892.81	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1766.20	(c)	1768.31	1757.74	1893.10 (22/1/90)	1360.64 (30/1/89)
ITALY						
Banca Com. Ital. (1972)	682.93	683.44	675.78	672.51	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	30807.19	31263.24	32616.44	32671.64	38915.87 (29/12/89)	30383.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2273.18	2326.23	2419.21	2427.64	2884.80 (18/12/89)	2273.18 (20/3/90)
2nd Section (4/1/68)	3854.38	3924.52	4041.96	4051.43	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	603.36	598.87	600.78	598.05	622.20 (20/2/90)	357.32 (3/1/89)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	254.4	253.2	256.7	255.3	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	195.2	194.2	196.9	195.8	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	838.79	838.48	845.40	843.08	845.40 (16/3/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1117.00	1150.74	1128.53	1115.61	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	428.19	428.53	430.88	429.45	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2143.0	2137.0	2071.0	2025.0	2254.0 (12/12/89)	1292.0 (15/2/89)
JSE Industrial (28/9/78)	3049.0	3037.0	3024.0	3046.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	849.98	839.42	842.27	835.59	1007.80 (3/4/89)	833.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	267.12	268.84	269.02	270.14	328.95 (13/9/89)	267.12 (20/3/90)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1135.20	1138.90	1141.60	1145.10	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	(u)	764.8	(u)	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11447.56	11369.69	11582.34	11934.49	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	786.65	790.32	787.50	783.33	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	496.6	503.5	499.7	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Mar. 17: Taiwan Weighted Price: 11504.74 Korea Comp Ex. 835.13

‡ Subject to official recalculation.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday March 20 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	39.3m	876	-29
Hitachi	14.8m	1,420	-10
Tokyo Gas	13.2m	798	-2
Toshiba	11.0m	995	-5
Kobe Steel	8.3m	695	-36
Kawasaki Steel	8.1m	610	-20
Sharp	7.9m	1,650	-30
NKK	7.4m	580	-29
Iseki & Co	7.3m	1,210	-30
MHI	7.0m	895	-10

2pm prices March 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	25	AAR	.48	1.6	18	186	30	29⅜	29⅞	+ ⅛
9¼	8½	ACM n	1.26	14.		280	9⅛	8⅞	9	
11⅝	10½	ACMIn	1.26	12.		257	11	10⅞	10⅞	– ⅛
9⅞	7⅞	ACM M	e1.01	13.		190	7¾	7⅝	7¾	
12⅝	11½	ACMMM				144	11¾	11⅝	11¾	+ ⅛
11½	10	ACM Sc	1.26	12.		1015	10⅞	10⅝	10¾	
9⅞	8⅛	ACMSp	1.01	12.		215	8⅞	8⅝	8¾	+ ⅛
22¼	13	AL Lab	.16	.7	20	682	21⅝	21⅜	21⅝	+ ⅛
4⅛	3⅛	AMCA	.12e	3.7	41	40	3¼	3¼	3¼	– ⅛
6⅛	3⅛	AM Intl			10	460	3¼	3⅛	3⅛	– ⅛
23½	16⅞	AM In pf	2	12.		5	17	16⅞	16⅞	
107¼	52½	AMR			9	8151	67⅝	66¼	67¼	+ ⅞
27	25	ANR pf	2.67	11.		1	25¼	25¼	25¼	
24⅞	23¼	ANR pf	2.12	8.9		10	23⅞	23⅞	23⅞	+ ⅛
8⅛	3⅛	ARX				12	3⅞	3¾	3⅞	+ ⅛
72⅝	39	ASA	3a	5.5		1061	55⅝	53⅞	54⅝	–1⅝
70⅜	51	AbtLab	1.68	2.6	17	1330	65	64¼	64¼	– ⅝
17¼	11¼	AbitibI	g .50			34	13¼	13¼	13¼	
13	8⅞	AcmeC	.40	4.1	11	64	9⅞	9⅞	9⅞	+ ⅛
9¼	7	AcmeE	.32	3.6	11	8	8⅞	8⅞	8⅞	– ⅛
38½	27	Acuson			22	38	34⅞	34⅝	34⅝	– ¼
16½	12⅞	AdaEx	2.05e	13.		53	16	15⅞	15⅞	
15⅝	7¼	Adobe				169	12½	12⅜	12½	+ ⅛
20¼	18⅞	Adob pf	1.84	9.9		3	18⅞	18⅝	18⅝	
21⅝	19⅞	Adob pf	2.40	11.		40	21½	21⅜	21⅜	– ⅛
10½	6⅞	AMD			21	4752	9⅞	9⅝	9⅝	– ¼
35	29¼	AMD pf	3	9.9		21	30¼	30¼	30¼	
10⅛	5	Advest	.16	2.7	6	205	6⅛	6	6	
62½	48½	AetnLf	2.76	5.5	9	1819	50⅝	50⅛	50¼	
14	9⅞	AflPb	.24	2.3		165	10⅝	10⅝	10⅝	– ⅛
25	15⅛	Ahmans	.88	4.8	9	858	18⅜	18¼	18⅜	– ⅛
3⅞	2	Aileen				5	2	2	2	
50⅛	40	AirPrd	1.32	2.7	13	1126	49¼	48¼	48¼	– ½
47⅞	22⅞	AirbFrt	.60	1.3	16	48	47	46⅞	46⅞	– ½
25⅛	16½	Airgas			17	216	18	17⅞	18	– ¼

Continued on Page 41

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the [illegible]

AMEX COMPOSITE PRICES

2pm prices March 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

2pm prices March 20

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Profit-taking wipes out early dollar-led gains

Wall Street

PROFIT-TAKING erased early gains in Wall Street yesterday. In early trading, the stock and bond markets had risen following a surge by the dollar; both markets had fallen at first, following disappointing inflation news, *writes Janet Bush in New York.*

At 1.30 pm, the Dow Jones Industrial Average stood 10.58 points lower at 2,745.05 on moderate volume of 109m shares. On Monday, the Dow had risen 14.41 to 2,755.63.

The Dow initially dropped about 6 points yesterday in reaction to the news that the US consumer prices index had risen 0.5 per cent in February, well above expectations of a gain of 0.2 per cent to 0.3 per cent. The index also rose 0.5 per cent when food and energy prices were stripped out, which compared with Wall Street estimates of an increase excluding food and energy of 0.4 per cent.

These figures provided more evidence that inflationary pressures remain stubborn in spite of the slowdown in the economy. The January merchandise trade deficit widened to $9.25bn compared with a revised shortfall of $7.68bn in December. The January deficit was below market expectations.

The data only depressed equities temporarily and they recovered from early lows as the dollar surged, before easing again on profit-taking. Currency dealers, who had waited for weeks for the Japanese authorities to raise the discount rate, immediately sold the yen as soon as the news broke. The US stock market has repeatedly shown resilience to Tokyo's weakness and did so again yesterday.

Among featured US shares was Federal Express which added $1¼ to $56⅛ in spite of news of a 79 per cent drop in its net income in the fiscal third quarter. Analysts believe that the company's worst problems are now over. International Multifoods jumped $2⅜ to $30⅞ after Archer-Daniels-Midland said it had built up a 6.77 per cent stake in the company for investment purposes.

Curtiss-Wright surged $7⅞ to $59⅞ after news of the death of its chairman and president. Teledyne, which owns a 52 per cent stake in the company, rose $1¼ to $69⅞. Hibernia, a commercial bank in Louisiana, dropped $⅜ to $17 after the company said that it would double its provision for loan losses in the first quarter, leading to a net loss of about 90 cents a share.

Selected technology stocks built on Monday's sharp gains while others fell prey to profit-taking. Digital Equipment jumped $2⅞ to $83⅞ while Hewlett-Packard slipped $⅜ to $47⅞ and Compaq Computer dipped $⅜ to $102⅞.

LSI Logic added $⅜ to $9⅜ after the company introduced a microchip which will allow computer manufacturers to clone Sun Microsystems workstations. Sun Microsystems fell $⅛ to $34⅜.

Canada

EARLY TRADING saw Toronto weaken as investors took profits in gold shares following a drop in the bullion price.

The composite index started 8.2 down at 3,763.9. Declines led advances by 137 to 98.

JAPAN GIVES UP PLACE AT TOP OF WORLD LEAGUE TO THE US

JAPAN lost its first place in the world stock market league yesterday as the long-awaited increase in Tokyo's official discount rate did little immediately to allay fears of further weakness in the yen, writes William Cochrane.

The Nikkei average of 225 leading shares lost more than 450 points to dip below the 31,000 mark for the first time since January last year; this, and the parallel depreciation of the yen, left Tokyo's equity market capitalisation at an estimated $2,264bn last night compared with $2,297bn for Wall Street at the close of trading on Monday.

Japan became the biggest market in the world less than three years ago, when Wall Street fell much faster than Tokyo in the October 1987 crash. At its peak it accounted for 45 per cent of the world's equity capitalisation, said Mr Roger Palmer, chief investment strategist at Kleinwort Benson in London.

The country's troubled financial sector, however, has seen a sharp decline in the yen, severe pressure on interest rates and bond market levels, and a 21 per cent drop in the Nikkei index since it peaked at 38,915.87 last December 29.

Tokyo's share of the world's equity capitalisation has fallen back to 34.28 per cent of the FT-Actuaries World Index, based on the fall in the domestic and broadly-based Topix index yesterday. Wall Street, at 34.78 per cent, has regained its top position.

The one-point rise in Japan's official discount rate came at midday yesterday and the yen, which posted a moderate gain just after the announcement, then turned down again to closer lower against the dollar. This sluggishness triggered speculation about another rate increase, further harming equities.

Nikkei slides again after discount rate rise

Tokyo

THE long-awaited increase in Japan's official discount rate did little to allay fears of further weakness in the yen, and the Nikkei average fell another 1.5 per cent yesterday, *writes Michiyo Nakamoto in Tokyo.*

The one-point rise in the rate came at midday and the yen posted a moderate gain just after the announcement. It then turned down again, to closer lower against the dollar; this sluggishness triggered speculation about another rate increase, and further undermined the equity market.

At the start of trading, the Nikkei staged a moderate rebound to a day's high of 31,551.03. It retreated below 31,000 by mid-morning, falling to an intraday low of 30,570.08 before closing at 30,807.19, down 456.05, compared with its January 5, 1989, low of 30,183.79.

Fallers outnumbered risers by 812 to 190, with 112 unchanged. Volume rose substantially, to 613m shares from the 412m traded on Monday. The Topix index closed 53.05 lower at 2,273.18 and, in London, the ISE/Nikkei 50 index fell 9.80 to 1,637.45.

Money supply figures for February showed a substantial increase yesterday, which made a fifth discount rate increase all the more probable. Meanwhile, individuals stepped up their selling in response to persistent rumours that a leading speculative group was facing financial problems, and individual investors with big margin positions came under severe pressure to sell.

"Overall, [the market is] very, very weak," said Mr Peter Tasker of Kleinwort Benson's global strategy team, which produced the equity capitalisation calculations. "Most people think we could fall below 30,000 very quickly." The market has already fallen 21 per cent from a peak of 38,915.87 last December 29.

Blue chips led the decline. In steels, Nippon topped the volumes list with 39.8m shares and fell Y29 to Y576, Kobe lost Y36 to Y695 in heavy trading and Kawasaki Y20 to Y610.

Nippon Telegraph and Telephone (NTT), the giant telecommunications company battered by the Recruit scandal and by plans to break the company up, came under renewed selling pressure. NTT's share price fell a further Y40,000 to Y1.14m, well below the public offering price of Y1.197m in 1986.

Yasuda Fire and Marine Insurance and Toyo Umpanki announced yesterday that they would cancel planned public offerings of new shares. The decision took the number of recently-cancelled public offerings to five.

Broadly based selling continued in Osaka, taking the OSE average 747.01 points lower to 32,924.73. Turnover swelled to 248m shares from the 198m traded on Monday.

Roundup

POLITICAL events dominated individual markets elsewhere in the Asia Pacific region.

NEW ZEALAND eased in thin trade before the Government's economic statement. The Barclays index fell 22.30 to 1,779.50. Details about the privatisation of Telecom Corp were announced after the market closed.

Elders Resources shed 8 cents to NZ$1.68. Speculation about the company continued after its controlling shareholder, Elders IXL of Australia, recently said it would sell its 48 per cent stake.

BOMBAY welcomed Monday's budget, rising sharply in heavy trading for the second day in succession. Foreign companies, which were expected to benefit from tax cuts, were in demand. The index rose 15.27 to 726.31, building on Monday's jump of 30.10.

SEOUL advanced in active trading on hopes that the new economic ministers would announce measures to boost the economy. The composite index rose 10.56 to 849.98.

AUSTRALIA held steady but investors retreated to the sidelines before Saturday's national elections. The All Ordinaries index fell 2.9 to 1,596 and turnover slipped to 90m shares valued at A$184m from 115m and A$227m.

TAIWAN recouped initial losses to end firmer on bargain-hunting and on ruling party plans for a national conference to discuss political reforms. The weighted index rose 77.86 to 11,447.55.

EUROPE

Bombardment of economic signals confuses bourses

THE IMPLICATIONS of the discount rate rise in Japan, the Tokyo market's fall and fears of inflation from German reunification left bourses confused and cautious yesterday, *writes Our Markets Staff.*

FRANKFURT took a roller coaster ride as the East German politics situation grew more complicated in the aftermath of Sunday's general election. However, a midsession fall of 8.13 to 802.52 in the FAZ index was seen as a buying opportunity, and the DAX closed 2.05 higher at 1,908.83.

A flat day for domestic bonds and limited foreign interest added to the market's nervous condition; volume was down from Monday's active DM13.9bn at DM9.95bn.

The ebb and flow of sentiment on eastern European prospects was reflected in Siemens, where turnover fell from DM1.92bn to DM1.1bn and the shares eased DM1.20 to DM614. However, Volkswagen kept its cachet as an east German winner with a rise of DM10.20 to DM606.70.

In the chemical sector, Bayer dropped DM3.50 to DM312 and BASF fell DM3.10 to DM306.90. Construction, prone to more occasional spurts of east European euphoria these days, saw Hochtief and Holzmann rise DM19 and DM39, to DM1,460 and DM1,379 respectively.

PARIS declined in another cautious session, worried about interest rates as the CAC 40 index fell 11.57 to 1,925.39.

One of the day's winners was Total, which saw its investment certificates gain FFr5 to FFr115 in busy trading of 284,200 shares. There was speculation that the oil company would raise its dividend.

Bouygues dropped FFr15 to FFr575 as volume shrank to 25,875 shares from 946,775 – including one block of 927,000 – the previous day. The construction company said that Coftpex, the Bouygues family's holding company, had bought the 6 per cent block from Société Générale de Belgique on Monday. SGB retains a stake of 4.2 per cent.

LVMH, the luxury goods group, fell FFr11 to FFr4,820 in moderate volume of 9,890 shares. The company said that it was studying a legal response to a move by VIG, the holding company of the Vuitton family which owns 24 per cent of LVMH voting rights, to ask a Paris commercial court to investigate the crossholdings deal with Guinness of the UK made in 1988. LVMH, which announces results tomorrow, holds 12 per cent of Guinness; on Monday, it denied reports that it was seeking another 12 per cent.

MILAN consolidated at Monday's levels as speculators covered short positions. The Comit index eased 0.51 to 682.93.

Sip, the domestic telecommunications operator, firmed L19 to L1,571 on news that its 1989 sales rose 11 per cent to L15,000bn. The capital goods manufacturer Sasib, which said that its 1989 sales were 22 per cent up, added L40 to L6,650. Italgas steadied at L2,700 as the company's management met with the investment community to explain its poor 1989 results.

AMSTERDAM saw the CBS tendency index firm 0.3 to 114.1. Dealing in the investment bank, Kempen Holding, resumed after its suspension on Monday, following news that two of its directors had sold their 10 per cent stake back to the bank and had resigned following disagreement over the bank's future. The stock fell Fl 1.30 to Fl 15.20.

STOCKHOLM recovered from early lows on gains in Asea shares following news of a 70 per cent increase in 1989 net profits. Asea restricted A shares rose SKr15 to SKr705. The Affärsvärlden General index added 4.3 to 1,135.2.

OSLO shrugged off weak oil prices as the all-share index rose 1.12 to 639.90. Bergen Bank rose NKr4 to NKr165 on the last day that its shares could be bought cum-dividend.

ZURICH ended lower in quiet trading. BBC Brown Boveri rose SFr25 to SFr5,600 on higher 1989 profits and a rise in dividend. The Crédit Suisse index fell 0.8 to 602.3.

MADRID fell to its low for the year, with the general index down 1.72 at 267.12. Banesto, the bank, gained another Pta140 to Pta3,780.

SOUTH AFRICA

JOHANNESBURG stayed at record levels although some caution crept in. The overall share index equalled Monday's 3,392 record level. Gold shares were mixed.

Ebbing interest in Tokyo flows to Japanese regions

Michiyo Nakamoto on the once obscure markets

POLITICAL and economic uncertainties have shaken the Tokyo Stock Exchange since the beginning of the year, but the sharp loss there has created opportunities for Japan's once obscure regional markets.

While turnover in Tokyo has shrunk to less than half of the levels seen in more buoyant times, the volume of trading in Sapporo, Japan's fifth largest city with one-fifth of Tokyo's population, has actually risen since last autumn.

Daily average volume on the TSE fell from 972m shares in November last year to 472m in February. Sapporo, with a market capitalisation nearly twice the size of London's, has seen daily average volume increase from 615,000 shares in November to 635,000 in February, swelling to 2.17m shares for the first 15 days of this month.

Most issues listed on regional markets are cross-listed with Tokyo. On the Sapporo exchange, only 14 of the 133 issues are listed in that city alone. But while the Nikkei average of leading TSE shares has fallen by 21 per cent from its high of December 29 last year, the Sapporo Dow Index had eased only 3 per cent to 1,704.57 by mid-March.

The share price rises of some issues that are listed only on regional markets, however, indicates that interest in them has been strong. Of the 14 local issues listed on the Sapporo Exchange, 12 have posted substantial rises in eight months.

Among the strong gains, Kuwazawa Trading, a trading company which handles mainly construction materials, surged 161 per cent from Y794 on June 30 last year to Y2,070 on March 16. Over the same period, the Nikkei shows a 1 per cent decline.

"Investors have changed," says Mr Toshiyuki Nishiguchi at Daiwa Securities. "From concentrating a large amount of funds in one market, they have moved to splitting up their investments into a larger number of smaller companies' issues, including those in regional markets."

Regional-only listings tend to be small companies. Many of them have strong earnings records, but in the past they were largely ignored by Tokyo-oriented investors, because there was little information available on them, says Mr Sadao Saito, deputy manager of the Business Administration Department of the Sapporo Stock Exchange.

Recently, however, information has become more readily available and investors have come to see the shares of many of these companies as cheap relative to their performance.

The emergence of new markets and businesses has helped widen interest in the regionals. For example, expectations of increased trade with the Soviet Union have led to interest in companies located in the northern prefectures of Niigata and Hokkaido, which are close to the Soviet Union.

Small, regional stocks have also taken on some of the characteristics of bigger companies' shares. In the past few years, the extraordinary rise in the value of Tokyo properties has boosted asset values and share prices of many TSE-listed companies. Now the same phenomenon is occurring in the regions; in the past year, property values have been rising in every corner of Japan.

Individual investors have been the leading force behind the rise in regional markets. Large institutions have been participating, but lack of liquidity in the markets means that they can trade only in much smaller lots than they are accustomed to.

This leads to the main question mark. Regional markets should retain their shine while Tokyo stays under pressure. But when political worries start to clear up, and if interest rates begin to peak or turn down and trigger a rebound in large capital issues, interest in the regions could slip away.

SAPPORO STOCK EXCHANGE
Stocks listed only in Sapporo

Stock	Price mid-Mar'90(Y)	Price Jun '89 (Y)	Rise (%)
Kuwazawa-Trading	2,070	794	161
Nakamichi Machinery	1,240	691	79
Hakodate Seimo Sengu	720	430	67
Sapporo Express	1,200	750	60
Chuo Bus	1,420	920	54
Nakamichi Lease	1,270	835	52
Kitanihon Tsushin Kensetsu	899	653	38
Sogo Denki	1,360	1,010	35
Nichiryo Baking Co	949	725	31
Sapporo Bank	999	826	21
Hokkaido Shinko	1,400	1,170	20
Sun River	2,960	2,710	9

Tel Aviv reopens after strike settlement

By Hugh Carnegy in Jerusalem

TRADING on the Tel Aviv Stock Exchange will re-open today following the settlement of an unprecedented two-week strike by exchange staff.

A wage rise and bonus agreement was agreed between the stock exchange management and its employees on the eve of a Supreme Court bid by two brokerage houses to force the exchange and the securities authorities to allow the extension of non-exchange trading.

The court claim, dropped after the return to work was agreed, could have jeopardised the traditional on-the-floor trading of the Tel Aviv exchange. "If the strike had gone on much longer, those people might have found out they weren't needed any more," said one analyst.

Share prices, which have fallen only slightly this year, were expected to weaken when trading resumed in reaction to the collapse of the coalition Government last week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 19 1990						FRIDAY MARCH 16 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	140.61	+0.9	129.32	123.91	+0.9	5.57	139.31	127.14	122.82	160.41	128.28	138.13
Austria (19)	285.63	+2.1	262.70	249.67	+1.3	1.06	279.77	255.33	246.51	285.63	92.84	105.46
Belgium (61)	145.04	+0.4	133.39	125.16	−0.2	4.46	144.51	131.88	125.44	160.02	125.58	129.57
Canada (120)	143.55	−0.1	132.02	123.02	+0.2	3.26	143.63	131.09	122.73	154.17	124.67	133.60
Denmark (36)	260.61	+0.7	239.69	228.36	−0.1	1.40	258.73	236.13	228.64	260.82	165.35	167.77
Finland (26)	142.35	+0.2	130.92	119.39	−0.1	2.44	142.09	129.67	119.50	159.16	118.63	141.69
France (125)	151.99	−0.5	139.79	135.66	−1.1	2.79	152.71	139.37	137.14	157.97	112.57	113.51
West Germany (95)	135.17	+2.7	124.32	116.27	+2.0	1.80	131.61	120.11	115.94	137.01	79.56	82.55
Hong Kong (48)	118.10	−0.3	108.62	118.48	−0.3	5.02	118.48	108.13	118.82	140.33	86.41	128.62
Ireland (17)	188.43	+0.2	173.30	168.73	+0.0	2.49	188.13	171.69	168.73	198.57	125.00	142.28
Italy (96)	97.73	+1.7	89.89	90.82	+1.1	2.53	96.11	87.72	89.80	102.11	74.97	79.83
Japan (455)	144.47	−4.5	132.87	140.18	−3.8	0.56	151.34	138.12	145.70	200.11	144.47	183.32
Malaysia (36)	232.99	−0.7	214.28	244.25	−0.5	2.17	234.61	214.12	245.46	245.32	143.35	159.09
Mexico (13)	394.46	−3.1	362.79	1190.33	+1.3	0.44	406.99	371.43	1174.74	409.41	153.32	166.67
Netherland (43)	138.43	−0.6	127.32	119.76	−1.3	4.65	139.30	127.13	121.34	145.66	110.63	115.16
New Zealand (18)	64.47	−0.3	59.30	58.42	+0.1	6.07	64.66	59.03	58.37	88.18	61.96	69.12
Norway (24)	243.52	−1.0	223.97	216.42	−1.3	1.56	245.90	224.42	219.20	245.90	139.92	167.71
Singapore (26)	192.13	−0.7	176.70	165.83	−0.7	1.75	193.40	176.50	166.93	199.38	124.57	145.36
South Africa (60)	200.82	+0.2	184.70	176.65	+1.2	3.34	200.48	182.97	174.59	251.39	115.35	141.89
Spain (43)	146.06	+0.3	134.34	119.73	−0.4	4.40	145.58	132.86	120.21	169.75	143.14	145.91
Sweden (35)	176.58	−0.7	162.40	159.65	−1.1	2.46	177.87	162.33	161.67	206.95	138.45	166.36
Switzerland (62)	92.24	−0.9	84.83	86.26	−0.8	2.19	93.04	84.91	86.98	99.12	67.81	74.95
United Kingdom (307)	146.48	−1.9	134.72	134.72	−1.1	4.86	149.30	136.26	136.26	164.31	133.26	146.75
USA (541)	138.82	+0.5	127.68	138.82	+0.5	3.44	138.10	126.03	138.10	146.29	112.13	117.65
Europe (990)	138.91	−0.2	127.76	124.21	−0.3	3.51	139.21	127.05	124.56	146.68	112.63	117.13
Nordic (121)	190.87	−0.1	175.55	163.42	−0.7	1.91	191.07	174.38	164.53	201.89	137.95	147.58
Pacific Basin (666)	143.42	−4.2	131.91	138.73	−3.5	0.89	149.73	136.65	143.78	194.72	143.42	179.11
Euro–Pacific (1656)	141.95	−2.7	130.55	133.41	−2.3	1.93	145.83	133.09	136.50	174.18	141.56	154.34
North America (661)	139.01	+0.5	127.85	137.82	+0.5	3.43	138.33	126.25	137.12	146.66	112.79	118.50
Europe Ex. UK (683)	132.47	+0.8	121.83	117.37	+0.2	2.70	131.39	119.91	117.10	135.73	96.30	98.84
Pacific Ex. Japan (211)	130.21	+0.3	119.75	118.64	+0.3	4.94	129.85	118.51	118.29	140.05	111.93	128.69
World Ex. US (1849)	142.71	−2.5	131.26	133.84	−2.1	2.00	146.44	133.64	138.75	173.77	141.49	153.50
World Ex. UK (2083)	139.65	−1.5	128.44	135.46	−1.2	2.25	141.73	129.35	137.16	162.00	136.98	138.93
World Ex. So. Af. (2330)	139.87	−1.5	128.64	135.07	−1.3	2.48	142.03	129.63	138.78	161.84	136.67	139.60
World Ex. Japan (1935)	139.47	+0.2	128.28	133.01	+0.2	3.52	139.19	127.03	132.74	145.52	114.51	118.69
The World Index (2390)	140.24	−1.5	128.98	135.35	−1.2	2.49	142.39	129.95	137.04	162.05	136.68	139.61

Constituent change 20/3/90: Deletion: Aristech Chemical (US). Irish market closed March 19.
Latest prices were unavailable for this edition.